Deson Development International Holdings Limited

(Incorporated in Bermuda with limited liability)

(Stock Code : 262)

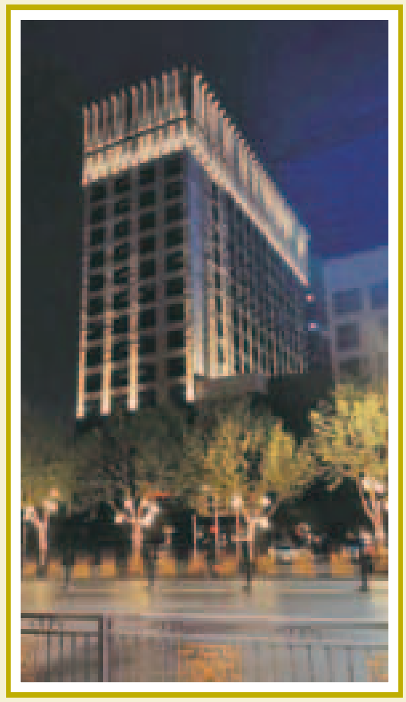
ANNUAL REPORT 2019

Investment Projects 投資項目

****

Property Investment 物業投資

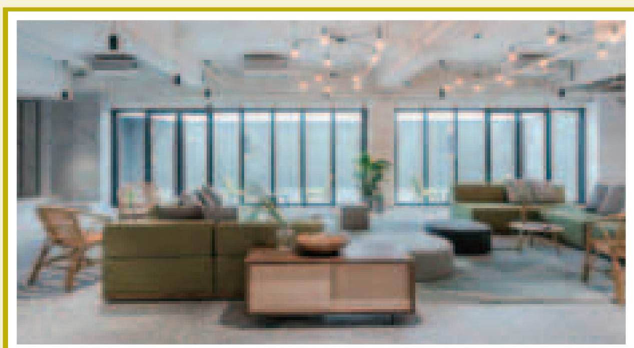
Holiday Inn Express Kaifeng City Centre
開封迪臣智選假日酒店

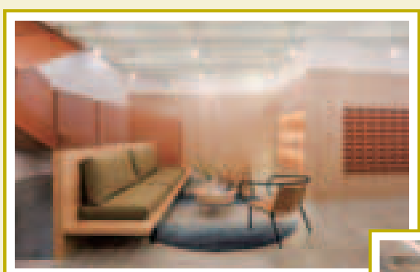


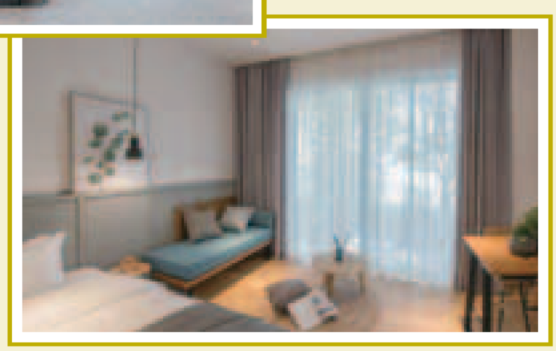
A wholly-owned hotel development with approximately 240 guest rooms located in city centre of Kaifeng. Scheduled to start operation by the end of 2019.
預計於2019年底營運。位於開封市中心，約有240間客房之全資項目。

COHOST WEST BUND 后社 • 西岸

The Cohost West Bund is a co-living apartment in Shanghai West Bund, No. 208 Baise Road, Xuhui District, Shanghai, which includes 66 apartments with plenty of common area, combined with mixed retail, catering, modern gym, swimming pool and tennis court.
The Cohost West Bund is a project co-developed by Pamfleet and Deson.
后社 • 西岸，上海創意合居生活位於上海徐滙區百色路208號，由66間精品設計公寓及不同的多功能公共空間組成，社區配套、餐飲、零售及高端健身中心、泳池、網球場。
后社 • 西岸是由鵬里及迪臣共同發展。







Trading of Medical Equipment and Home Security and Automation Products
銷售醫療設備及家居保安及自能化產品

Medical Technologies Limited 迪臣國際醫學儀器有限公司

Supply and Installation of the 1st Tyromotion set for Neurological Rehabilitation in Hong Kong – Virtus Medical Tower, Central
提供及安裝全香港首套Tyromotion神經復康系統 – 尚至醫療大樓（中環）

Deson Innovative Limited 迪衛智能系統有限公司

The surveillances project involved the planning, technical consulting and equipment supply of CCTV – video management system for Duty Free Shop & The Link Shopping Centre
為DFS免稅店及領展轄下的商場提供了視頻管理系統的規劃、技術諮詢和設備供應

CONTENTS

BOARD OF DIRECTORS

Executive Directors

Mr. Lu Quanzhang *(Chairman)*
Mr. Tjia Boen Sien
(Managing Director and Deputy Chairman)
Mr. Wang Jing Ning
Mr. Tjia Wai Yip, William

Independent Non-executive Directors

Dr. Ho Chung Tai, Raymond
Ir Siu Man Po
Mr. Siu Kam Chau

BOARD COMMITTEES

Audit committee

Mr. Siu Kam Chau *(Chairman)*
Dr. Ho Chung Tai, Raymond
Ir Siu Man Po

Remuneration Committee

Mr. Siu Kam Chau *(Chairman)*
Dr. Ho Chung Tai, Raymond
Ir Siu Man Po

Nomination Committee

Ir Siu Man Po *(Chairman)*
Dr. Ho Chung Tai, Raymond
Mr. Siu Kam Chau

FINANCIAL CONTROLLER AND COMPANY SECRETARY

Mr. Lam Wing Wai, Angus, *HKICPA*

PRINCIPAL BANKERS

United Overseas Bank Limited
Dah Sing Bank, Limited
Nanyang Commercial Bank Limited

LEGAL ADVISERS

Appleby
Howse Williams

AUDITOR

Ernst & Young

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Estera Management (Bermuda) Limited
Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

11th Floor, Nanyang Plaza
57 Hung To Road
Kwun Tong
Kowloon
Hong Kong

SHARE LISTING

The Stock Exchange of Hong Kong Limited
Stock Code: 262

WEBSITE OF THE COMPANY

www.deson.com

Dear Shareholders,

On behalf of the board of directors (the "**Board**") of Deson Development International Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**" or "**We**"), I have the pleasure to present to you the annual report (the "**Annual Report**") for the year ended 31 March 2019 ("**Reporting Period**").

BUSINESS REVIEW

During the Reporting Period, the Group recorded a total turnover of approximately HK$259.4 million (2018: approximately HK$190.8 million). The net profit attributable to owners of the Company was approximately HK$27.5 million (2018: approximately HK$47.8 million), representing a decrease of HK$20.3 million or 42%. Earnings per share were HK2.81 cents.

On 12 April 2019, the Group has entered into a sale and purchase agreement with an independent third party to dispose all of its remaining equity interest in Deson Construction International Holdings Limited ("**DCIHL**") (311,769,867 ordinary shares, which represents 31.18% of the total issued shares of DCIHL). Details of the disposal are disclosed under the section headed "**Prospects – Disposal of Deson Construction International Holdings Limited and its subsidiaries**" in the section headed "**Management Discussion and Analysis**" section. The Board considers that the disposal provides an attractive exit opportunity for the Group to realise its long term investment in DCIHL. The disposal enables the Group to recycle capital into the existing property development and investment business. We believe that the disposal will benefit the Group by realising its investment and also strengthen the liquidity and overall financial position of the Group.

The Group has developed the following new property development projects during the Reporting Period:

1) Property redevelopment project in Hong Kong: The property is a 9-storey commercial/residential composite building (the "**TST Property**"). TST Property is situated at the northern side of Kimberley Road, near its junction with Observatory Road, in the Tsim Sha Tsui District. The Group has set up a company with an independent third party and plan to invest approximately HK$70 million for the acquisition from the existing landlord of TST Property and redevelop it into a more well equipped commercial building. Total saleable area is about 2,650 square metres ("**sq. m.**"). As at 31 March 2019, the total investment made by the Group was approximately HK$46 million.

2) Property redevelopment projects in Shanghai: Those are residential apartments and offices. The two projects contain 8 apartments with total gross area of 867 sq. m. and 4 floors of office buildings with total gross area of 6,668 sq. m.. The total investment made as at 31 March 2019 was approximately HK$20 million.

3) General partner of a fund engaging in property development projects in tier one cities in China: Total investment is expected to be approximately USD1 million. No investment has been made as at 31 March 2019.

Looking back to the Reporting Period, China achieved steady economic development and the real estate market showed vibrant growth as a pillar to the nation's economy. During the Reporting Period, the Chinese government upheld the policy of "no speculation on residential properties" and promulgated a series of regulatory measures to establish a long-term mechanism designed to curtail the rapidly rising property prices and overheated land market, thereby promoting steady and healthy real estate development.

DIVIDENDS

The Board recommend the payment of a final dividend HK0.5 cent (2018: HK0.5 cent) per ordinary share in respect of the Reporting Period.

On 11 June 2019, the Company declared a special dividend of HK0.5 cent per ordinary share.

OUTLOOK

According to the publicly available information, China's economy is expected to encounter additional downward pressure in 2019 due to weaker domestic demand and the effect of the recent trade tension between China and the US on exports. The International Monetary Fund predicted that the GDP growth rate in Mainland China will be around 6.2% in 2019. During the opening of the National People's Congress in early March 2019, the Chinese Premier Mr. Li Keqiang also mentioned that the PRC government would set a low economic growth target for 2019 in a range of 6.0% to 6.5%. Despite the economic uncertainties in Mainland China due to impacts from the unfavourable macroeconomic conditions and the political trade tension, the Group remains prudently optimistic about the China's economy and prospect.

For the coming year, the Group expects the global economy to be weak which will continue to be affected by negative factors such as trade conflicts between China and the US. In addition, the unstable global geopolitical environment still posts threats to global market confidence and economic recovery. However, it is anticipated the pace of interest rate hikes by US Federal Reserve may slow down in response to the sluggish economic recovery. In Hong Kong, the local economy is largely affected by economic development in Mainland China which is currently impacted by the China and US trade war. It is anticipated that the economic growth and the property market in Hong Kong will be challenging in 2019. We are trying to find potential properties in Hong Kong for future development. Up to the date of this report, the discussions regarding the business cooperation has remained preliminary and no formal proposal has been put forward by the third party to the Group and no legally binding agreement or contract relating to such business cooperation has been entered into by the Company or any of its subsidiaries. The outcome of any discussion on such business cooperation is not known and in the event that any agreement or contract regarding the possible business cooperation with the aforementioned third party is reached, the Company will comply with the relevant requirements of the Rules Governing the Listing of Securities on the Stock Exchange.

To deal with the anticipated market uncertainty and challenging economic climate, the Group will continue to be cautious and proactive in managing its core investments and selection for future investment opportunities in order to produce sustainable and stable returns for the Company's shareholders.

APPRECIATION

On behalf of the directors of the Company ("**Directors**"), I would like to express my heartfelt thanks for the long term support and trust of the Company's shareholders, business partners and customers. I would also like to thank my colleagues for their dedication, hard work and continuous commitment over the past few years in aiding the Group to achieve outstanding performance. The Group will carry on dedicating its efforts towards the Group's long-term development and hence deliver sustainable returns to the Company's shareholders.

Tjia Boen Sien
Managing Director and Deputy Chairman

Hong Kong
21 June 2019

BUSINESS REVIEW

The Group's major business segments during the year ended 31 March 2019 comprise (i) property development and investment; and (ii) trading of medical equipment and home security and automation products, and the provision of related installation and maintenance services.

The Group's turnover for the year ended 31 March 2019 recorded at approximately HK$259,417,000 (2018: HK$190,783,000), which represented an increase of 36% compared to last year.

Property development and investment business

The Group's turnover for the year ended 31 March 2019 generated from this segment recorded at approximately HK$217,365,000 (2018: HK$164,422,000), which represents an increase of 32% as compared to last year. The turnover generated from this segment is arising from sales of properties in the People's Republic of China (the "**PRC**") and rental income earned from investment properties located in the PRC.

(i) Sales of properties

Turnover increased from approximately HK$137,972,000 for the year ended 31 March 2018 to approximately HK$195,605,000 for the year ended 31 March 2019, which represents a significant increase of 42%. Sales recognised last year was mainly generated from sales of offices and one residential block at World Expo Plaza ("**World Expo**"), Kaifeng, the PRC. During the year, two remaining residential blocks have been launched to the market and more revenue was recognised in this Reporting Period.

World Expo consists of:

i) three residential blocks (Gross floor area of 59,300 sq. m.);

ii) a number of commercial units (Gross floor area of 13,900 sq. m.);

iii) two streets of shops (Gross floor area of 2,000 sq. m.);

iv) a hotel under construction (Gross floor area of 14,800 sq. m.); and

v) an animation theatre (Gross floor area of 5,000 sq. m.).

ii) Rental income from investment properties

Turnover decreased from approximately HK$26,450,000 for the year ended 31 March 2018 to approximately HK$21,760,000 for the year ended 31 March 2019, which represents a decrease of 18%. During the year, the Group intended to redevelop 亞洲豪苑城市廣場 (Asian Villas City Square*). As a result, those expired tenancy agreements during the year were no longer being renewed and it caused a drop of rental income earned at Haikou, the PRC.

Segment operating profit generated from this segment during the Reporting Period amounted to approximately HK$104,084,000 (2018: HK$71,240,000).

* For identification purpose only

Trading of medical equipment and home security and automation products and the provision of the related installation and maintenance services business

The Group's turnover for the year ended 31 March 2019 generated from this segment recorded at approximately HK$42,052,000 (2018: HK$26,361,000), which represents a significant increase of 60% as compared to last year. The significant increase is because of a significant increase of sales of home security products in the PRC during this Reporting Period as the Group obtained a sole distributorship of a brand in the PRC.

Segment operating profit generated from this segment during the Reporting Period amounted to approximately HK$8,289,000 whereas operating loss amounted to approximately HK$9,171,000 was incurred in the last reporting period.

The net profit attributable to owners of the Company for the year ended 31 March 2019 amounted to approximately HK$27,486,000 as compared to the net profit attributable to owners of the Company for the year ended 31 March 2018 of approximately HK$47,776,000. The decrease was due to (i) the fair value loss on the equity investments at fair value through profit or loss after the adoption of the new Hong Kong Financial Reporting Standards ("**HKFRS**") 9 *Financial Instruments*. After the adoption of HKFRS 9, a fair value loss of HK$35,984,000 was incurred for the equity investments held by the Group at the end of the reporting date; and (ii) the impairment of the investment in DCIHL of HK$27,190,000, after comparing the expected sales proceeds with its carrying amount as at 31 March 2019. The above decrease was partly offset by (i) the commencement of sales of the residential blocks of World Expo during this Reporting Period; (ii) significant increase of sales of home security products in the PRC during this Reporting Period since the Group has obtained a sole distributorship of a brand in the PRC; and (iii) the increase in fair value gain on investment properties (before deferred taxation) recognised of approximately HK$66,456,000 (2018: HK$53,935,000). A significant increment in the fair value was noted for the properties located in Haikou, the PRC.

Earnings per share for the year ended 31 March 2019 is approximately HK2.81 cents.

FINANCIAL REVIEW

Turnover

For the year ended 31 March 2019, the Group's turnover amounted to approximately HK$259 million, increased by 36% as compared to last year. The increase was mainly due to the commencement of sales of the residential blocks of World Expo during this Reporting Period.

Turnover generated from property development and investment business and trading of medical equipment and home securities and automation products amounted to approximately HK$217 million and HK$42 million, respectively, which represents an increase of 32% and 60%, respectively as compared to the last reporting period.

Gross profit margin

During the year ended 31 March 2019, the Group's gross profit margin was approximately 35.2%, increased by 9.8 percentage points as compared to last year's 25.4%. This was because higher gross profit margin was generated from the sales of two residential blocks at Kaifeng in this Reporting Period.

Other operating income/(expenses), net

The amount was changed from an income of approximately HK$5.3 million for the year ended 31 March 2018 to an expense of approximately HK$54.5 million for the year ended 31 March 2019. Prior year's amount mainly represented the gain on disposal of subsidiaries. This year's amount represented (i) the fair value loss on equity investments at fair value through profit or loss after the adoption of HKFRS 9; and (ii) the impairment loss of investment in DCIHL. No such loss was incurred for the year ended 31 March 2018.

Share of profits and losses of associates

For the year ended 31 March 2019, the Group's share of profits and losses of associates amounted to approximately HK$4.5 million (debit), decreased by 152% as compared to the share of profits and losses of associates amounted to approximately HK$8.7 million (credit) in the last reporting period. It is because of the loss incurred during this Reporting Period from the major associates, the DCIHL Group. Due to the (i) loss incurred in electrical and mechanical works resulted from the rising costs consistent with the market conditions both in labour and materials throughout the contractual period and extra costs for extended contractual period in some projects for the year ended 31 March 2019; and (ii) fair value loss of the marketable securities for the year ended 31 March 2019, a net loss was recorded by the DCIHL Group.

Liquidity and financial resources

As at 31 March 2019, the Group had total assets of approximately HK$2,591,964,000, which was financed by total liabilities, shareholders' equity and non-controlling interests of approximately HK$944,623,000, HK$1,651,273,000 and debit balance of approximately HK$3,932,000, respectively. The Group's current ratio as at 31 March 2019 was 2.12 as compared to 2.18 as at 31 March 2018.

As at 31 March 2019, the gearing ratio for the Group is 19% (31 March 2018: 24%). It was calculated based on the non-current liabilities of approximately HK$384,180,000 (31 March 2018: HK$510,032,000) and long term capital (equity and non-current liabilities) of approximately HK$2,031,521,000 (31 March 2018: HK$2,159,836,000).

Capital expenditure

Total capital expenditure for the year ended 31 March 2019 was approximately HK$44,000, and was mainly used in the purchase of items of office equipment.

Contingent liabilities

At the end of the reporting date, the Group had no significant contingent liabilities.

Commitments

At the end of the reporting date, the Group had capital commitments contracted, but not provided for, of approximately HK$22,400,000.

Charges on group assets

Details of the charges of assets of the Group are set out in note 27 to the financial statements.

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year ended 31 March 2019. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its customers. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Exchange risk exposure

The Group is mainly exposed to balances denominated in Renminbi ("**RMB**"), which mainly arising from relevant Group entities' foreign currency denominated monetary assets and liabilities for the Group's operating activities.

The Group currently does not have a foreign currency hedging policy to eliminate the currency exposures against changes in exchange rates of the RMB against HKD. However, the management monitors the related foreign currency exposure closely and will consider hedging significant foreign currency exposures should the need arise.

PROSPECTS

Property development and investment

On 9 June 2005, the Group was granted the land use rights of a development site in Long Ting District of the city of Kaifeng, Henan Province, the PRC, which has been developed into a residential and commercial complex with an estimated gross floor area of approximately 221,000 sq. m.. The name of this project is "**Century Place, Kaifeng**". Up to the date of this Annual Report, the construction of a gross floor area of approximately 190,000 sq. m. has been completed and the total sales contract sum achieved amounted to approximately RMB757 million. The remaining part of the land (Section G) is under construction, and it is expected that the construction will be completed by the first quarter of 2020 and the pre-sale will start in the second quarter of 2020.

	CURRENT USE	**AREA** (approximately sq. m.)
Section A	Investment properties – Shops (leased out)	54,000
Section C	Properties held for sales – Villas	6,000
Section F	Properties held for sales – Shops	11,000
Section G	Properties held for sales under development – Villas	31,000

The Group plans to sell Section C when Section G is launched to the market. It is because these two areas are adjacent to each other and we believe the synergy effect can cause a higher return to the Group.

On 16 February 2012, the Group successfully won a bid for the acquisition of land use right of a residential and commercial site in the city of Kaifeng, the PRC, which has been developed into a residential and commercial complex with an estimated gross floor area of approximately 95,000 sq. m.. The name of this project is "**World Expo, Kaifeng**". Up to the date of this Annual Report, gross floor area of approximately 80,000 sq. m. has been completed. It includes (i) two commercial buildings with gross floor area of approximately 13,900 sq. m.; (ii) an animation theatre with gross floor area of approximately 5,000 sq. m.; (iii) three residential building with gross floor area of approximately 59,300 sq. m.; and (iv) 25 street shops with gross floor area of approximately 2,000 sq. m.. The total sales contract sum achieved from the sales amounted to approximately RMB446 million. It is expected that the construction of the whole project will be completed by the end of 2019. The part under construction is a hotel (gross floor area of approximately 14,800 sq. m.). The animation theatre is named "**Qing-Ming Riverside Anime Exhibition**" and was used to show the animation of 清明上河圖 which was shown in 2010 Shanghai Expo. The Board decided to terminate the animation business and is seeking for potential buyer for the animation theatre together with the remaining properties at the World Expo, Kaifeng, the PRC.

In September 2014, the Group was granted another land use right in city of Kaifeng, the PRC. The name of the project is Zhu Ji Lane ("**珠璣巷**"). The Directors have developed a commercial street project with a total gross floor area of approximately 13,000 sq. m.. It was put in use during the 27th World Hakka Conference which was held in October 2014. As of the date of this Annual Report, the project has been completed. The Group has entered into a sale and purchase agreement with an independent third party and such transaction is expected to be completed in the third quarter of 2019.

The Board remains optimistic about the property market in Mainland China. With its good experience in the property market of the PRC, the Group may acquire additional land to enrich the Group's land reserve, specifically in Guangdong – Hong Kong – Macao Greater Bay Area which is adjacent to Hong Kong. However, the Group has no specific investment plan in relation to any particular project as at the date of the Annual Report.

Proposed disposal of Hainan's properties

Capitalised terms used herein this section shall have the same meanings as those defined in the announcement of the Company dated 6 May 2018.

The Vendor (being an indirect wholly-owned subsidiary of the Company) and the Purchaser are unable to reach conclusion on commercial terms regarding the set up of the Proposed Joint Venture. On 25 October 2018, a termination agreement was signed by the Company, the Vendor, the Purchaser and the Property holder. The Framework Agreement has been terminated and the Deposit has been refunded to the Purchaser accordingly. The Group is seeking for another potential buyer for the properties located in Haikou, the PRC.

Formation of a joint venture company for the property investment and/or redevelopment in Hong Kong

On 15 October 2018, the Group has entered into a subscription agreement with Excel Castle International Limited ("**Excel Castle**") ("**Subscription Agreement**") pursuant to which the Group has conditionally agreed to subscribe for the subscription shares, representing 6% of the enlarged issued share capital of Excel Castle at the consideration of US$900,000 (equivalent to approximately HK$7.0 million) ("**Subscription**"). On the same date, the Group, Excel Castle and Southern Victory Investments Limited ("**SVIL**") have entered into a shareholders' agreement ("**Shareholders' Agreement**") governing the affairs of Excel Castle and the provision of the shareholder's loan with an amount up to HK$62,980,000, which has taken effect on the completion date of the Subscription.

Excel Castle is an investment holding company to hold directly a company incorporated in Hong Kong that is engaged in the business of investment holding, property investment and/or redevelopment in Hong Kong and which in turn holds eight other wholly-owned subsidiaries (together with Excel Castle, collectively refereed to as "**Excel Castle Group**").

Each of SVIL and the Group agrees to make available a maximum contribution to Excel Castle of approximately HK$1,100 million and HK$70 million, respectively in various instalments in such amounts in proportion of their shareholdings on such dates as from time to time to be determined by the board of directors of Excel Castle for the purpose of financing the business of the Excel Castle Group and/or the redevelopment project of the Excel Castle Group.

The Directors (including the independent non-executive Directors) consider that the Subscription Agreement and the Shareholders' Agreement are on normal commercial terms. Taking into account the expected return to be generated from the proposed property development project through the investment in Excel Castle, the Directors consider that the terms of the Subscription Agreement and the Shareholders' Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The transaction was completed on 9 November 2018. As the Group does not have significant influence over Excel Castle, the investment is classified as an equity investment at fair value through profit or loss.

Formation of companies for the property investment and/or redevelopment at Shanghai

During the Reporting Period, the Group has invested into two property projects in Shanghai, being the property redevelopment of residential apartments at Wuyi Road, Changning District, Shanghai, the PRC ("**Project Embassy**") and property redevelopment of offices and carparks at West Huaihai Road, Changning District, Shanghai, the PRC ("**Project Stone**"). Total investment on these two projects as at 31 March 2019 is about HK$20 million.

Project Embassy is a low-rise building in Shanghai located next to the Embassy of Belgium. The building contains eight apartments with a total gross floor area of approximately 867 sq. m.. It is co-invested with an independent third party in a company registered in BVI in which the Group has 10% equity interest.

Project Stone is an office building, named as Shanghai City Point. It is located in a grade A mixed-use building in Changning District, the PRC. The building contains four floors with a total gross floor area of approximately 6,668 sq. m. and five underground parking spaces. This project is co-invested with the same independent third party as Project Embassy in a company registered in BVI in which the Group has 5% equity interest.

The Group intended to refurbish Project Embassy and Project Stone to realise the full value of the properties. The renovation works for these two projects are expected to be completed in late 2019. As the Group does not have significant influence over these BVI companies, the investments are classified as equity investments at fair value through profit or loss.

Regarding the Starway Parkview South Station Hotel project ("**Project Parkview**"), it is located in Xuhui West Bund area, adjacent to Shanghai Botanical Garden. The hotel was built in 2003 with a total gross floor area of approximately 7,319 sq. m. and 56 rooms. It is co-invested with an independent third party and the Group has 30% equity interest, which is accounted for as an associate. The hotel has been converted into 66-room rental apartments with communal recreational facilities and amenity retails. The renovation work of Project Parkview has been completed and the Group will focus on asset management and leasing business for it.

In the anticipation of the uncertain and challenging economic environment and volatility in the market ahead, the Group will continue to adopt a cautious and proactive approach in managing its core investments and to look for sound and stable investment opportunities to produce sustainable returns for the Company's shareholders.

Participation in a real estate investment fund

On 23 April 2019, the Group has entered into a shareholders' agreement with Pamfleet China GP II Limited ("**Pamfleet China**") to set up a fund for property investment known as Pamfleet Shanghai Real Estate Fund II ("**PSREFII**"). The Group owns 30% of the fund and the total investment is expected to be approximately USD1.125 million.

Pamfleet China is an independent and privately-owned real estate investment advisor with offices in Hong Kong, Singapore and Shanghai. Their experienced team seeks to create long-term value through knowledgeable deal sourcing, disciplined acquisitions, active asset management, rebranding and refurbishment with an emphasis on design, anticipating tenant and community requirements and delivering good value for money. Members of the management team of Pamfleet China have been involved in the selection and management of real estate investments throughout Asia for over 20 years.

PSREFII will seek to capitalise on Pamfleet China's track record of its successful investments in under-performing, under-priced and distressed real estate with repositioning and value-add potential in Shanghai and other tier-one cities in Mainland China. The investment strategy of PSREFII is to continue Pamfleet China's track record of identifying, structuring and executing successful asset repositioning investments in Shanghai and other tier-one cities in Mainland China.

Pamfleet China and the Group operate with a flat organisational structure, which allows and encourages collaboration.

Trading of medical equipment and home security and automation products

The increasing standard of living around the globe, especially in Hong Kong and major cities in the PRC, and increasing health awareness, in particular from high-income consumers living in the urban areas, together create additional demand for medical equipment. Consequently, this segment should continue to be a worthwhile investment. In the coming reporting period, we will expand our distribution channels and introduce a broader range of products to boost sales growth.

Also, with the increasing safety awareness in Hong Kong and major cities in the PRC, we expect a high demand for wired and wireless security devices and systems, which are relevant to the management of residential estates, commercial offices, shops, hotels, hospitals, museums and prisons.

The Group will continue to adopt efficacious cost management strategies and maintain tight credit control measures to cope with challenges and to improve competitiveness within the volatile operating environment. The Directors will continue to make every effort to maximise the interests of the shareholders of the Company.

During the year, the Group has set up an e-solution company that will be engaged in:

i) customs clearance and logistics services

   Based on our experience and network in Indonesia and the PRC, we will provide customs clearance and logistics services to our potential customers who carry out trading services between these two countries. The services include clearance, inspection, insurance, warehouse storage, foreign exchange settlement, and import/export policy consultation.

ii) general trading and e-commerce services

   We will import foreign products into Mainland China. Our potential customers include distributors and large supermarkets. Our online business platform partners include HIPAC ("海拍客") and PINDUODUO ("拼多多"). Our products include baby products, beverages and food.

Disposal of Deson Construction International Holdings Limited and its subsidiaries

Reference is made to the joint announcement of the Company, DCIHL and Energy Luck Limited ("**Energy Luck**") dated 12 April 2019 (the "**Joint Announcement**"). Unless otherwise defined, terms used herein have the same meanings as those defined in the Joint Announcement.

On 12 April 2019, Deson Development Holdings Limited ("**DDHL**"), Sparta Assets Limited ("**Sparta Assets**") and Mr. Tjia Boen Sien ("**Mr. Tjia**") as sellers, Energy Luck as purchaser entered into the Sale and Purchase Agreement whereby each of DDHL, Sparta Assets and Mr. Tjia has conditionally agreed to sell, and Energy Luck has conditionally agreed to purchase from each of DDHL, Sparta Assets and Mr. Tjia, the Sale Shares, being in aggregate 361,302,082 DCIHL Shares, representing approximately 36.13% of the issued share capital of DCIHL at the Consideration of approximately HK$79,486,000 (representing a purchase price of HK$0.22 per Sale Share) ("**Transaction**").

Upon the Sale and Purchase Completion, each of the Company, DDHL, Sparta Assets and Mr. Tjia will cease to have any shareholding interest in DCIHL and DCIHL will cease to be an associated company of the Company.

DCIHL is an investment holding company and the principal activities of its subsidiaries consist of (a) the construction business, as a main contractor and fitting-out works, as well as the provision of electrical and mechanical engineering services, mainly in Hong Kong, the PRC and Macau, and other construction related business; (b) investment in securities; and (c) investment in properties.

The Board considers that the Disposal provides an attractive exit opportunity for the Group to realise its long term investment in DCIHL. The Disposal enables the Group to recycle capital into the existing property development and investment business. The Directors are of the view that the Disposal will benefit the Group by realising its investment and also strengthen the liquidity and overall financial position of the Group. Having regard to the prevalent unstable economy and financial market conditions, the purpose of use of proceeds for development and expansion of the existing businesses, for general working capital purpose and for the return to the shareholders of the Company, the Board (including the independent non-executive directors of DDIHL) considers that the terms of the Sale and Purchase Agreement, the Sale Price and the Disposal, which have been determined on an arm's length basis, are fair and reasonable and on normal commercial terms and are in the interests of the Company and its Shareholders as a whole.

For details, please refer to the Joint Announcement and the Circular of the Company dated 24 May 2019.

The Transaction has been approved by the shareholders of the Company at the Special General Meeting of the Company held on 11 June 2019. The Transaction has been completed on 18 June 2019.

Based on consideration of HK$0.22 per Sales Share, the investment in DCIHL has been impaired by HK$27,190,000 to approximately HK$68,589,000 which is the same as the consideration of the Transaction.

HUMAN RESOURCES

As at 31 March 2019, the Group had 112 employees, 74 of whom were based in the PRC and the remaining employees were based in Hong Kong. The total employee benefits expenses include directors' emoluments for the year ended 31 March 2019 of approximately HK$24.3 million as compared to approximately HK$24.4 million in last year.

The remuneration policy and package of the Group's employees are reviewed and approved by the Directors. Apart from pension funds, in order to attract and retain a high caliber of capable and motivated workforce, the Group offers discretionary bonus and share options to staff based on individual performance and the achievements of the Group's targets.

The Directors herein present their report and the audited financial statements of the Group for the year ended 31 March 2019.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries consist of (a) property development and investment; and (b) trading of medical equipment and home security and automation products and provision of related installation and maintenance services.

RESULTS AND APPROPRIATIONS

The Group's profit for the year ended 31 March 2019 and the Group's financial position at that date are set out in the financial statements on pages 51 to 54.

No interim dividend was paid during the year (2018: Nil). The Directors recommend the payment of a final dividend of HK0.5 cent (2018: HK0.5 cent) per ordinary share in respect of the year.

A special dividend of HK0.5 cent per ordinary share was declared on 11 June 2019.

DIVIDEND POLICY

The Company aims to provide a steady return to shareholders and at the same time to maintain a strong financial position for investment opportunities and sustainable development in the future. Dividends proposed or declared, or not recommended, is subject to financial performance, cash flows and future investment opportunities of the Group.

CLOSURE OF REGISTER OF MEMBERS

(a) For the purpose of determining the qualification as shareholders of the Company to attend and vote at the Annual General Meeting ("**AGM**"), the register of members of the Company will be closed from 15 August 2019 to 20 August 2019, both days inclusive. In order to qualify as shareholders of the Company to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 14 August 2019.

(b) For the purpose of determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from 27 August 2019 to 29 August 2019, both days inclusive. In order to qualify for the entitlement to the proposed final dividend, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 26 August 2019. Final dividend is payable on 17 September 2019 to shareholders of record on 29 August 2019.

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movements in the property, plant and equipment, and investment properties of the Group during the year are set out in notes 13 and 14 to the financial statements, respectively. Further details of the Group's investment properties are set out on page 26 of this Annual Report.

SHARE CAPITAL AND SHARE OPTIONS

Details of movements in the share capital and share options during the year are set out in notes 29 and 30 to the financial statements, respectively.

EQUITY-LINKED AGREEMENT

Save as disclosed in this annual report, there was no equity-linked agreement entered into by the Company during the year ended 31 March 2019.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 55 and 56 of this Annual Report.

DISTRIBUTABLE RESERVES

At 31 March 2019, the Company's reserves available for cash distribution and/or distribution in specie, computed in accordance with the Companies Act 1981 of Bermuda (as amended), amounted to HK$171,113,000 of which approximately HK$4,890,000 has been approved as a special dividend and approximately HK$4,890,000 has been proposed as a final dividend in respect of the year ended 31 March 2019. In addition, the Company's share premium account and capital redemption reserve, in the aggregate amount of HK$257,497,000, may be distributed in the form of fully paid bonus shares.

Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions from its contributed surplus in certain circumstances.

BUSINESS REVIEW

A review of the business of the Group for the year ended 31 March 2019 is set out in the section headed "**Management Discussion and Analysis**" on pages 5 to 12 of this Annual Report. These discussions form part of this "**Report of the Directors**".

This business review is made pursuant to paragraph 28(2)(d) of Appendix 16 to the Main Board Listing Rules (the "**Listing Rules**") published by The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), pursuant to which further analysis of and discussion on the above principal activities of the Group as required by Schedule 5 to the Hong Kong Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**") are made. In the opinion of the Directors, the section headed "**Chairman's statement**" and "**Management discussion and analysis**" provide a comprehensive review of the performance of the Group for the year ended 31 March 2019 as well as its future prospects.

PRINCIPAL RISKS AND UNCERTAINTIES

The following is a list of principal risks and uncertainties that are considered to be of significance and have potential to affect the Group's businesses, results of operations and financial position. However, this list is non-exhaustive as there may be other risks and uncertainties which may arise as a result of changes in economic and other conditions over time. The Group employs a risk management and internal control framework to identify current and foreseeable risks at different levels of the organisation so as to take preventive actions to avoid or mitigate their adverse impacts.

Risks relating to properties development and investment segment

The property development and investment segment is one of the major businesses of the Group, particularly in Mainland China. Accordingly, this segment is subject to economic, political and legal developments in Mainland China as well as in the economies in the surrounding region. In recent years, the properties market movements in Mainland China have been concurrently affected by the economic trend and government policies, including but not limited to, the adoption of category-based regulatory measures and the bilateral regulatory measures for the real estate market, policy changes in mortgage levels and ownership, interest rate changes, supply and demand conditions as well as the overall economic volatility in Mainland China. The Group's property development and investment segment is expected to continue being exposed to these risks, which may affect the Group's investment strategy as well as its performance. In this respect, the Group actively assesses the overall economic, political and legal developments as well as the property markets in other provinces in Mainland China in deciding viable acquisitions and selling strategies. For each potential project, detailed feasibility studies and stress tests in regard to all aspects will be carried out before an acquisition to minimise the risks.

Risks relating to financial conditions and results of operation

(i) The Group's finance costs and interest expenses fluctuate with changes in interest rates. In the PRC, the Group's borrowings also include amounts denominated in RMB. The People's Bank of China adjusts its benchmark lending rates from time to time in response to domestic and global economic changes. The Group may be affected by changes in the prevailing interest rate of the global credit market. Any increase in interest rate in connection with the currencies the Group borrows will increase the Group's finance costs and customers' mortgage interest rates and may adversely and materially affect the Group's businesses, financial position, results of operations and growth prospects.

(ii) The Group is required to reassess the fair value of its investment properties at the end of every reporting period to which financial statements are made up. Pursuant to Hong Kong Financial Reporting Standards, investment properties are stated at their fair value, and the changes in their valuation should be taken to the consolidated statement of profit or loss of the financial period in which it is incurred. Based on the valuation conducted by independent property valuers, the Group recognises the investment properties at fair value and the related deferred tax in the consolidated statement of financial position, while the changes in fair value and the related deferred tax of investment properties are recognised in the consolidated statement of profit or loss. Therefore, the assumptions made in the valuation of investment properties would change under changing market conditions. Notwithstanding any variations in profit, fair value gains and losses are not cash items and will not increase or decrease cash and cash equivalents. The amount of revaluation adjustment has been and will continuously be subject to changes in market conditions. As such, there can be no assurance that changes in market conditions will continue to generate gains from fair value changes in investment properties at similar level or at all, or there will be no decline in the fair value of the Group's investment properties. If a property market in the region where the Group operates slows down, the fair value of the Group's investment properties may decline.

(iii) Properties developed by the Group for sale in the PRC are subject to Land Appreciation Tax ("**LAT**"). LAT is calculated based on proceeds received from the sale of properties less deductible expenditures as provided in the relevant tax laws. Pending settlement with the relevant tax authorities, the Group makes provisions for the amount of LAT in accordance with the relevant PRC tax laws and regulations from time to time. Provisions for LAT are made on the Group's own estimates based on, among other things, its own apportionment of deductible expenses which is subject to final confirmation by the relevant tax authorities upon settlement of the LAT. The Group only prepays a portion of such provisions each year as required by the local tax authorities. The Group cannot assure that the relevant tax authorities will agree with its calculation of LAT, nor can it assure that the LAT provisions will be sufficient to cover its LAT obligations in respect of its past LAT liabilities in relation to its combined property business. If the relevant tax authorities determine that its LAT exceeds the LAT prepayments and provisions, and seek to collect that excess amount, the Group's cash flows, results of operations and financial position may be materially and adversely affected. As there are uncertainties as to when the tax authorities will enforce the LAT collection and whether it will apply the LAT collection retrospectively to properties sold before the enforcement, any payment as a result of the enforcement of LAT collection may significantly restrict the Group's cash flow position, its ability to finance its land acquisitions and to execute its business plans.

ENVIRONMENTAL POLICIES, PERFORMANCE AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to maintaining sustainable working practices and pays close attention to ensure that all resources are efficiently utilised. The Group strives to become an environmental-friendly corporation by saving electricity and encouraging the recycling of office supplies and other materials.

The Group and its business activities are subject to requirements under various laws. The laws and regulations which have a significant impact on the Group include, among others, Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong), Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), Environmental Impact Assessment Ordinance (Chapter 499 of the Laws of Hong Kong), Minimum Wage Ordinance (Chapter 608 of the Laws of Hong Kong), Employees' Compensation Ordinance (Chapter 282 of the Laws of Hong Kong), Employment Ordinance (Chapter 57 of the Laws of Hong Kong), Occupiers Liability Ordinance (Chapter 314 of the Laws of Hong Kong), Occupational Safety and Health Ordinance (Chapter 509 of the Laws of Hong Kong), and Immigration Ordinance (Chapter 115 of the Laws of Hong Kong). The Group has put in place in-house rules containing measures and work procedures to ensure that the Group's operation is in compliance with the applicable laws and regulations.

The Group's major business is property development in the PRC which is in a heavily regulated industry. Property developers must abide by various laws and regulations, including rules stipulated by national and local governments. To engage in property development, the Group must apply to relevant government authorities to obtain and renew various licenses, permits, certificates and approvals, including but not limited to, land use rights certificates, qualification certificates for property developers, construction work commencement permits, construction work planning permits, construction land planning permits and pre-sales permits. Before the government authorities issue or renew any certificate or permit, the Group must meet the relevant requirements. Set out below is a summary of certain aspects of PRC legal and regulatory provisions relating to our operations and business. These include laws and regulations relating to:

- Establishment of a real estate development enterprise
- Qualification of a real estate developer
- Land for property development
- Sale of commodity properties
- Transfer of real estate
- Mortgages of real estate
- Real estate management
- Measures on stabilising property prices
- PRC taxation
- Foreign currency exchange
- Labour protection

The Company is committed to complying with the above laws and regulations and for the year ended 31 March 2019, there was no reported case of material non-compliance.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

As at 31 March 2019, the Group had a headcount of 112 employees (2018: 138). Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market as well as the minimum wages guideline as prescribed by the local government from time to time.

The Group awards discretionary bonuses to eligible employees based upon profit achievements of the Group and individual performance. The Company has also adopted a share option scheme in order to attract and retain the best available personnel and to align the interests of the employees with the Group's interests. Being people-oriented, the Group ensures all staff are reasonably remunerated and continues to improve and regularly review and update its policies on remuneration and benefits, training, and occupational health and safety.

The Group also stays connected with its customers and suppliers and has ongoing communication with the customers and suppliers through various channels such as telephone, electronic mails and physical meetings to obtain their feedback and suggestions.

PERMITTED INDEMNITY PROVISION

Each Director or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. The Group has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors and officers of the Group during the year ended 31 March 2019.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 March 2019, sales to the Group's five largest customers accounted for approximately 16% (2018: 14%) of the total sales for the year and sales to the largest customer included therein amounted to approximately 8% (2018: 6%). Purchases from the Group's five largest suppliers accounted for approximately 42% (2018: 73%) of the total purchases for the year and purchases from the largest supplier included therein amounted to approximately 13% (2018: 57%).

None of the Directors of the Company or any of their associates (as defined in the Listing Rules) on the Stock Exchange or any other shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in any of the Group's five largest customers or suppliers during the year.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. LU Quanzhang	*(Chairman)*
Mr. TJIA Boen Sien#@	*(Managing Director and Deputy Chairman)*
Mr. WANG Jing Ning#@	
Mr. TJIA Wai Yip, William	

Independent non-executive Directors

Dr. HO Chung Tai, Raymond*#@
Ir SIU Man Po*#@
Mr. SIU Kam Chau*#@

* audit committee members
\# remuneration committee members
@ nomination committee members

Mr. Lu Quanzhang, Mr. Tjia Wai Yip, William and Ir Siu Man Po will retire by rotation according to the Company's Bye-Laws and, being eligible, will offer themselves for re-election at the forthcoming AGM to be held on Tuesday, 20 August 2019.

The Company considers that Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau are independent pursuant to the criteria set out in the Listing Rules and that it has received annual confirmations of independence from each of them.

DIRECTORS' SERVICE CONTRACTS

None of the Directors proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries, which is not determinable by the employing company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

The Directors' fees are subject to shareholders' approval at general meeting. Other emoluments are determined by the Company's board of Directors with reference to Directors' duties, responsibilities and performance and the results of the Group. For further details of the Directors' emoluments, please refer to note 8 to the financial statements.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in paragraph headed "**Continuing connected transactions**" and note 36 to the financial statements, no Director, a connected entity of a Director nor a controlling shareholder of the Company had a material beneficial interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which any of its holding companies, subsidiaries or fellow subsidiaries was a party during the year.

MANAGEMENT CONTRACTS

No contracts concerning the management and/or administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 March 2019.

DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2019, the interests and short positions of the Directors in the share capital and share options of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including the interests and short positions which he would be deemed or taken to have under Section 344 and 345 of the SFO) or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies, were as follows:

Long positions in ordinary shares of the Company:

	Number of shares held, capacity and nature of interest			
Name of Directors	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Percentage of the Company's issued share capital**
Mr. Tjia *(Note 1)*	68,661,600	349,935,000	418,596,600	42.81
Mr. Lu Quanzhang	150,000	–	150,000	0.02
Mr. Wang Jing Ning	26,429,400	–	26,429,400	2.70
Mr. Tjia Wai Yip, William	2,400,000	–	2,400,000	0.25
Dr. Ho Chung Tai, Raymond	727,500	–	727,500	0.07
Ir Siu Man Po	920,000	–	920,000	0.09

Note:

1. Sparta Assets, a company incorporated in the British Virgin Islands ("**BVI**") and wholly-owned by Mr. Tjia, is beneficially interested in 349,935,000 ordinary shares of the Company.

Long positions in ordinary shares of DCIHL:

	Number of shares held, capacity and nature of interest			
Name of Directors	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Percentage of the DCIHL's issued share capital**
Mr. Tjia*	22,887,200	338,414,882#	361,302,082#	36.13
Mr. Lu Quanzhang	50,000	–	50,000	0.01
Ir Siu Man Po	150,000	–	150,000	0.02

Long positions in ordinary shares of Sparta Assets:

	Number of shares held, capacity and nature of interest			
Name of Director	**Directly beneficially owned**	**Through controlled corporation**	**Total**	**Percentage of the Sparta Assets issued share capital**
Mr. Tjia*	1,000	–	1,000	100.00

* Sparta Assets, a company incorporated in the BVI and wholly-owned by Mr. Tjia, is beneficially interested in 349,935,000 ordinary shares of the Company.

\# Mr. Tjia beneficially owns all the shares in Sparta Assets, a company incorporated in the BVI. On 12 April 2019, Deson Development Holdings Limited ("**DDHL**"), Sparta Assets and Mr. Tjia entered into a sale and purchase agreement regarding the disposal of DCIHL, which transaction was completed on 18 June 2019. Prior to the disposal, Sparta Assets directly beneficially owned 26,645,015 shares in DCIHL and it beneficially owned 349,935,000 shares in the Company, representing 35.79% of the issued share capital of the Company. By virtue of the SFO, Mr. Tjia was previously deemed to be interested in 338,414,882 shares in DCIHL (being an aggregate of 26,645,015 shares in DCIHL held by Sparta Assets and 311,769,867 shares in DCIHL indirectly owned by the Company (through DDHL which Sparta Assets is deemed to be interested in). Upon completion of the disposal on 18 June 2019, each of DDHL, Sparta Assets and Mr. Tjia is deemed to have ceased to have any interests in DCIHL under the SFO.

The interests of the Directors in the share options of the Company are separately disclosed in the section headed "**Share option scheme**" below.

Save as disclosed above and note 30 to the financial statements, none of the Directors had registered an interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

DISCLOSURE OF DIRECTORS' INFORMATION UNDER RULE 13.51B(1) OF THE LISTING RULES

The following is the change in the information of the Directors since the interim report of the Company dated 7 November 2018, which is required to be disclosed pursuant to the Rule 13.51B(1) of the Listing Rules:

Dr. Ho Chung Tai, Raymond

Resigned as an independent non-executive director of China State Construction International Holdings Limited (Stock Code: 3311), a company with its shares listed on the main board of the Stock Exchange, on 3 June 2019.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed under the headings "**Directors' interests and short positions in shares and underlying shares**" above and "**Share option scheme**" below, and share option scheme disclosures set out in note 30 to the financial statements, at no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, nor were any such rights exercised by them; nor was the Company or any of its subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SHARE OPTION SCHEME

The Company operates a share option scheme (the "**Scheme**") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations.

The following share options were outstanding under the Scheme during the year:

	Number of share options						Price of the Company's shares**	
Name or category of participant	At 1 April 2018	Granted during the year	Expired during the year	At 31 March 2019	Date of grant of share options	Exercise period of share options	Exercise price of share options* HK$ per share	At grant date of options HK$ per share
Directors:								
Lu Quanzhang	500,000	–	(500,000)	–	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Tjia Boen Sien	160,000	–	(160,000)	–	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Wang Jing Ning	2,000,000	–	(2,000,000)	–	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Tjia Wai Yip, William	2,000,000	–	(2,000,000)	–	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Ho Chung Tai, Raymond	160,000	–	(160,000)	–	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Siu Man Po	160,000	–	(160,000)	–	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Siu Kam Chau	160,000	–	(160,000)	–	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
	5,140,000	–	(5,140,000)	–				
Other employees, in aggregate	9,600,000	–	(9,600,000)	–	17 April 2015	17 April 2017 to 16 April 2018	0.71	0.71
Total	14,740,000	–	(14,740,000)	–				

* The exercise price of the share options was subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

** The price of the Company's shares disclosed as at the date of grant of the share options was the Stock Exchange closing price on the trading day immediately prior to the date of grant of the options. The price of the Company's shares disclosed immediately before the exercise date of the share options was the weighted average of the Stock Exchange closing price immediately before the dates on which the options were exercised over all of the exercises of options within the disclosure line.

Further details of the Scheme are included in note 30 to the financial statements.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

At 31 March 2019, so far as is known to the Directors of the Company, the following interests of 5% or more of the issued share capital and share options of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO:

Long positions:

Name	Capacity and nature of interest	Number of ordinary shares held	Percentage of the Company's issued share capital
Sparta Assets *(Note 1)*	Beneficial owner	349,935,000	35.79
Mr. Tjia	Interests of controlled corporation	349,935,000	35.79
	Directly beneficially own	68,661,600	7.02
Granda Overseas Holding Co. Ltd. ("**Granda**") *(Note 2)*	Beneficial owner	173,698,740	17.76
Mr. Chen Huofa	Interests of controlled corporation	173,698,740	17.76

Notes:

1. Sparta Assets, a company incorporated in the BVI and wholly-owned by Mr. Tjia, is beneficially interested in 349,935,000 ordinary shares of the Company.

2. Granda, a company incorporated in the BVI and wholly-owned by Mr. Chen Huofa, is beneficially interested in 173,698,740 ordinary shares of the Company.

Save as disclosed above, no person, other than the Directors of the Company, whose interests are set out in the section headed "**Directors' interests and short positions in shares and underlying shares**" above, at 31 March 2019, had registered an interest or short position in the shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

PURCHASE, REDEMPTION OR SALES OF LISTED SECURITIES

Neither the Company, nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2019.

CAPITAL STRUCTURE

There was no change of the capital structure of the Company during the year ended 31 March 2019.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

TAX RELIEF

The Company is not aware of any relief from taxation available to shareholders by reason of their holding of the Company's shares.

CONTINUING CONNECTED TRANSACTIONS

Administrative services agreement

On 1 April 2017, Grand On Enterprise Limited ("**Grand On**"), a wholly-owned indirect subsidiary of the Company, and Deson Development Limited ("**DDL**"), an associate of the Company, entered into an administrative services agreement ("**Administrative Services Agreement**"), pursuant to which DDL, as a service provider, has agreed to provide Grand On certain administrative services including provision of office facilities, utilities and equipment support, cleaning services, administrative support and information technology system and technical training support, for a term of two years from 1 April 2017 and ended on 31 March 2019. In consideration of the provision of such administrative services, Grand On shall pay to DDL a service fee, based on DDL's actual direct and indirect cost incurred in the supply and procuring of the supply of such services, including overheads, human and/or other resources. The annual service fee payable by Grand On to DDL for each of the financial years ended 31 March 2018 and 31 March 2019 did not exceed HK$600,000.

On 7 March 2019, the Administrative Services Agreement was renewed for a term of one year from 1 April 2019 to 31 March 2020. The annual service fee payable by Grand On to DDL for the year ending 31 March 2020 is not expected to exceed HK$480,000.

Leases of office premises in Hong Kong

(i) On 15 April 2017, Grand On as landlord and DDL as tenant, entered into a tenancy agreement, for the rental of certain portions of the Nanyang Plaza property located at 11th Floor of Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong with an aggregate floor area of approximately 9,500 square feet ("**sq. ft.**") and the joint rights to occupy and use a common area with aggregate floor area of approximately 3,200 sq. ft. The term of tenancy was from 1 April 2017 to 31 March 2019, with a rental of HK$143,000 per month payable in advance. The annual rental fee payable by DDL to Grand On for each of the financial years ended 31 March 2018 and 31 March 2019 did not exceed HK$1,716,000.

On 15 April 2019, the tenancy agreement was renewed for a term of one year from 1 April 2019 to 31 March 2020, with a rental of HK$209,000 per month payable in advance. The annual rental fee payable by DDL to Grand On for the year ending 31 March 2020 is not expected to exceed HK$2,508,000.

(ii) On 15 April 2017, the Group entered into a tenancy agreement ("**Tenancy Agreement**") with Fitness Concept Limited, a company wholly-owned by Mr. Tjia, the Managing Director and Deputy Chairman and a substantial shareholder of the Company, for the leasing of a property of the Group in Hong Kong. The tenancy agreement was contracted for three years commencing from 1 April 2017, and the monthly rent payable was HK$25,500. The rental income earned during the year ended 31 March 2019 from this tenancy agreement was approximately HK$306,000.

Given that Mr. Tjia is the Managing Director and Deputy Chairman of the Company and has an approximately 42.81% equity interest in the Company at the time entering into the Tenancy Agreement, Mr. Tjia is a connected person of the Company within the meaning of the Listing Rules, the transactions therefore constitute connected transactions of the Company.

As each of the applicable percentage ratios of the transactions was less than 5% and the total considerations involved were less than HK$3,000,000, pursuant to Rule 14A.33 of the Listing Rules, the transactions were exempted from the reporting, annual review, announcement and independent shareholders' approval requirements of the Listing Rules.

PARTICULARS OF PROPERTIES

The properties held for sale under development of the Group are as follows:

Location	Attributable interest of the Group	Stage of completion	Expected completion date	Expected use	Gross floor area
Section G 1 Xi Da Jie Kaifeng City Henan Province PRC	100%	Construction stage	2020	Residential/ commercial complex	31,000 sq. m.
Commercial Zone A Core Lot No. 2012-1 Zheng Kai Avenue Kaifeng City Henan Province PRC	100%	Construction stage	2020	Hotel	14,823 sq. m.

The properties held for sale of the Group are as follows:

Location	Attributable interest of the Group	Tenure	Current use	Gross floor area
Phase I to IV of Asian Villas City Square Southern Area Jinpen Industrial Development Zone Haikou Hainan Province PRC	100%	The properties are held for a term of 70 years, commencing on 13 May 1998 and expiring on 12 May 2068	Residential/ commercial complex	87,647 sq. m.
Sections B to F 1 Xi Da Jie Kaifeng City Henan Province PRC	100%	The properties are held for a term of 70 years, commencing on 15 June 2005 and expiring on 15 June 2075	Residential/ commercial complex	136,591 sq. m.
Residential Zone 1-3 Commercial Zone A, B, C and D Core Lot No. 2012-1 Zheng Kai Avenue Kaifeng City Henan Province PRC	100%	The properties are held for a term of 40 years, commencing on 3 June 2013 and expiring on 13 May 2053	Commercial	75,184 sq. m.
Zhu Ji Lane North of Confucian Temple Street West of the Yousiguankou	100%	The properties are held for a term of 40 years, commencing on 14 November 2014 and expiring on 9 October 2054	Commercial	12,827 sq. m.

The investment properties of the Group are as follows:

Location	Attributable interest of the Group	Tenure	Lease term	Current use	Gross floor area
12 Haixiu Avenue Meilan District Haikou Hainan Province PRC	100%	The properties are held for a term of 70 years, commencing on 15 September 2006 and expiring on 14 September 2076	Long	Commercial	The total gross floor area is 22,803 sq. m.
Section A 1 Xi Da Jie Kaifeng City Henan Province PRC	100%	The properties are held for a term of 70 years, commencing on 15 June 2005 and expiring on 15 June 2075	Long	Commercial	The total gross floor area is 53,624 sq. m.
Phase I to IV of Asian Villas City Square Southern Area Jinpen Industrial Development Zone Haikou Hainan Province PRC	100%	The properties are held for a term of 70 years, commencing on 13 May 1998 and expiring on 12 May 2068	Long	Commercial	The total gross floor area is 29,325 sq. m.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total number of issued shares were held by the public throughout the year ended 31 March 2019.

EVENTS AFTER THE REPORTING PERIOD

Details of the events after the reporting period are set out in note 40 to the financial statements.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the CG Code for the purpose of reviewing and providing supervision over the Group's internal controls, risk management and financial reporting matters, including the review of the annual results for the year ended 31 March 2019, and adequacy of resources and qualifications of the Company's accounting staff. The audit committee comprises of three independent non-executive directors of the Company, namely Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau. Mr. Siu Kam Chau is the Chairman of the committee.

The annual results of the Group for the year ended 31 March 2019 have been reviewed by the audit committee members who have provided advice and comments thereon.

AUDITOR

Ernst & Young retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting. There has been no change in the Company's auditor in any of the preceding three years.

Tjia Boen Sien
Managing Director and Deputy Chairman

Hong Kong
21 June 2019

EXECUTIVE DIRECTOR

LU Quanzhang ("Mr. Lu"), aged 63, is an executive Director of the Company since 9 November 2011. He is also the Chairman of the Board. Mr. Lu has over 23 years of experience in legal practice in the PRC. Mr. Lu is a registered lawyer in the PRC and holds a master post graduate certificate of law from China University of Political Science and Law (Practicing). Mr. Lu was a founding partner of Jun Yan Law Firm in Guangdong where he has practiced since 2003. Currently, Mr. Lu is the senior partner of S D & Partners, a private leading law firm in Shenzhen and South China. He is an arbitrator of the China International Economic and Trade Arbitration Commission, Shenzhen Court of International Arbitration and Shanghai International Arbitration Centre.

TJIA Boen Sien ("Mr. Tjia"), aged 75, is one of the co-founders of the Group. He is the Managing Director and Deputy Chairman of the Company. Mr. Tjia is the member of remuneration committee and the member of nomination committee of the Board. Mr. Tjia is well respected and has established connections in the PRC construction industry through his extensive experience. He has over 36 years' experience in the construction industry in the PRC and Hong Kong. Mr. Tjia is responsible for the overall corporate strategy and the daily operations of the Group, including business development and overall management.

He graduated from chemistry studies at the Huaqiao University (華僑大學) in the PRC in July 1966. He was admitted as member of The Chartered Institute of Building in November 1996 and is a professional member of The Royal Institution of Chartered Surveyors since October 2002. Mr. Tjia previously served as the vice chairman and honorable member of Zhan Tian You Civil Engineering Science and Technology Development Fund Management Committee (詹天佑土木工程科學技術發展基金管理委員會).

WANG Jing Ning ("Mr. Wang"), aged 63, is an executive Director of the Company and was appointed as a director of the Company in September 1993. He is also a director of various main operating subsidiaries of the Group, among others, Deson Ventures (HK) Limited, Winsome Properties Limited and Honour Advance Limited. Mr. Wang has over 39 years' experience in hotel management and construction engineering in Mainland China and Hong Kong. He is responsible for managing the Group's projects in Mainland China.

TJIA Wai Yip, William ("Mr. William Tjia") , aged 43, is an executive Director of the Company since January 2015. Mr. William Tjia joined the Group in February 2000. He is a director of Deson Innovative Limited since July 2005, one of the subsidiaries of the Company. He is responsible for intelligent building and security systems business of the Group, and has over 18 years' of experience in this field. He is also responsible for assisting the Group's development including business development and overall management. He graduated from the City University of Hong Kong with a Bachelor of Arts with Honours Degree in Information Systems in 1998. He is the son of Mr. Tjia, the Managing Director and Deputy Chairman of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTOR

Dr. Raymond Ho Chung-Tai ("Dr. Ho"), SBS, MBE, S.B. St. J., JP, aged 80, is an independent non-executive Director of the Company and was appointed as a director of the Company in September 1993.

Dr. Ho has 56 years' experience in the fields of civil, structural, energy, environmental and geotechnical engineering and direct project management of many mega size engineering projects including 46 years in Hong Kong and 10 years in the United Kingdom. He has direct management responsibility in the HK$3.0 billion (cost at the time) project of Electrification and Modernisation of Kowloon-Canton Railway (now called "The East Rail") from the mid-70's till early 80's; and all the government-funded infrastructure works for Shatin New Town and Tseung Kwan O New Town from early 80's till the end of 1993, experience including construction of tunnels, bridges, flyovers, roads, dockyards, jetties, hospitals, hotels, incinerators, high-rise commercial/residential buildings, slopes, reclamation, chimneys, environmental studies and environmental protection projects.

Dr. Ho holds a doctorate degree in civil engineering from the City University of London, United Kingdom; Honorary Doctor of Business Administration from the City University of Hong Kong; Honorary Doctor of Laws from University of Manchester, United Kingdom; a postgraduate diploma in geotechnical engineering from Manchester University, United Kingdom; and a bachelor degree in civil engineering from the University of Hong Kong; and was awarded Honorary University Fellow of The University of Hong Kong and Honorary University Fellow of The University of Central Lancashire, United Kingdom.

Dr. Ho was formerly a partner and senior director of Maunsell Consultants Asia Limited from January 1976 to August 1993. Dr. Ho was formerly Hong Kong Deputy to the 10th & 11th National People's Congress of the PRC, member of the 1st, 2nd, 3rd & 4th terms of Legislative Council (Engineering Functional Constituency) (1998-2012), member of the Provisional Legislative Council (1996-1998), President of the Hong Kong Institution of Engineers (1987/1988), Member of the Former Basic Law Consultation Committee, Founding Council Chairman of the City University of Hong Kong, Council Chairman of the former City Polytechnic of Hong Kong, Chairman of Hong Kong Technology Committee of the Industry & Technology Development Council (ITDC) and member of ITDC, Chairman of the Transport Advisory Committee, Hong Kong Affairs Adviser, Chairman of the Infrastructure Development Services Advisory Committee of the HKTDC, board member of the Hong Kong Airport Authority, member of the Court of the City University of Hong Kong, member of the Chinese Medicine Consultative Committee of the School of Chinese Medicine of Hong Kong Baptist University, member of Consultative Committee on the New Airport and Related Projects, and member of the Gas Safety Advisory Committee. Currently, Dr. Ho is Honorary Chairman and Past Chairman of Guangdong Daya Bay Nuclear Plant, LingAo Nuclear Plant Safety Consultative Committee and Professional Advisor (Architecture, Engineering and Surveying) to the Ombudsman, Hong Kong.

Dr. Ho currently is also a director of the following companies which are listed on the Stock Exchange of Hong Kong Limited:

Chairman and Non-executive of SCUD Group Limited (Stock Code: 1399);
an Independent Non-executive Director of
Deson Development International Holdings Limited (Stock Code: 262);
GCL-Poly Energy Holdings Limited (Stock Code: 3800);
ChinLink International Holdings Limited (Stock Code: 997); and
AP Rentals Holdings Limited (Stock Code: 1496)

In the past three years, Dr. Ho was an independent non-executive Director of China State Construction International Holdings Limited (Stock Code: 3311) for a period from June 2005 to 3 June 2019, a company listed on the Stock Exchange.

SIU Man-po ("Ir Siu"), is an independent non-executive Director of the Company since September 2001. Ir Siu is the member of the audit committee and member of the remuneration committee, and chairman of the nomination committee of the Board.

Ir Siu was awarded the MEDAL OF HONOUR (MH) by the Chief Executive of the Government of the Hong Kong Special Administrative Region (HKSAR) in July 2004 for his dedication and meritorious services to the development of engineering profession in Hong Kong.

Ir Siu, aged 81, obtained his Master of Science in Civil Engineering in 1963 from Auburn University in Auburn, Alabama, U.S.A.

Ir Siu has extensive experience in construction field including the construction of Tsing Yi Power Station in 1966-1977, MTR stations in 1977-1987, and Hong Kong Baptist University campus development in 1989-1999.

Ir Siu is a Fellow Member of the Hong Kong Institution of Engineers and the American Society of Civil Engineers.

Ir Siu is currently the Managing Director of Ho Wang Siu Mak Management Ltd.

SIU Kam Chau ("Mr. Siu"), aged 54, joined the Company in March 2014 as an independent non-executive Director. Mr. Siu is the Chairman of the Audit Committee and the Chairman of the Remuneration Committee, and member of the Nomination Committee of the Board. Mr. Siu graduated from the City University of Hong Kong with a bachelor's degree in Accountancy. He is a fellow of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants. He is also a Certified Public Accountant (practising) in Hong Kong. Mr. Siu has over 29 years of working experience in auditing, accounting, company secretarial and corporate finance. Mr. Siu is currently an independent non-executive director of Wang On Group Limited (stock code: 1222) of which is a company listed on Main Board of the Stock Exchange.

SENIOR MANAGEMENT

LAM Wing Wai, Angus ("Mr. Lam"), aged 43, joined the Group in September 2005. He is the Company Secretary and the Financial Controller of the Group. He is responsible for monitoring all the Group's accounting, finance, listing compliance and company secretarial functions. He holds a Bachelor Degree in Business Administration from the Hong Kong University of Science and Technology. He is a Certified Public Accountant of the Hong Kong Institute of Certified Public Accountants. Before joining the Group, He has several years' experience with an international accounting firm. Mr. Lam is the company secretary and financial controller of Deson Construction International Holdings Limited (stock code : 8268), a company listed on the GEM of the Stock Exchange.

TSE Hoi Ying, Irene ("Ms. Tse"), aged 47, joined the Group in August 1999. She is the Director of the Medical Technologies Limited since 23 September 2002, which is one of the subsidiaries of the Group. Ms. Tse is responsible for trading of medical equipment and related consulting business of the Group, and has over 17 years' of experience in rehabilitation and medical equipment. Ms. Tse has been invited to join as professional consultant for different esteemed medical groups. She graduated from the University of British Columbia (Canada) with a Bachelor of Arts (Psychology) in May 1995. She is the daughter of Mr. Tjia, the Managing Director and Deputy Chairman of the Group.

KWOK Chun Fai ("Mr. Kwok"), aged 75, joined the Group in February 1991. He is the project manager of the Group and is responsible for the Group's construction projects in Mainland China. He has over 45 years' experience in the industry. He graduated from Fujian Overseas Chinese University in Mainland China in Civil Industrial and Civil Building. He obtained the International Engineering and Professional Manager Qualification Certificate and the Member of Architectual Society of Chinese.

The Company is committed to a high standard of corporate governance practices and business ethics in enhancing the confidence of shareholders, investors, employees, creditors and business partners and also the growth of its business. The Company's corporate governance practices are based on the principles ("**Principles**") and the code provisions ("**Code Provisions**") as set out in the CG Code contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**"). The Company has complied with most of the Code Provisions throughout the year ended 31 March 2019 save for the deviation from the Code Provision A.4.1, details of which are explained below. The Company regularly reviews its corporate governance practices in order to meet the rising expectations of stakeholders and comply with increasingly stringent regulatory requirements, and to fulfill its commitment to excellent corporate governance.

Summary of deviation of the CG Code:

Code Provision A.4.1

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election.

The independent non-executive directors are not appointed for a specific term. However, all independent non-executive directors are subject to the retirement and rotation once every three years in accordance with the Company's Bye-Laws. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the Code.

THE KEY CORPORATE GOVERNANCE PRINCIPLES AND PRACTICES

The Company acknowledges the important role of its Board of Directors ("**Board**") in providing effective leadership and direction of the Company towards its objectives and ensuring transparency and accountability of all operations. The key corporate governance principles and practices of the Company are summarised as follows:

THE BOARD

Responsibilities

The Company has a division of functions reserved to the Board and delegated to the management. The Board provides leadership and approves strategic policies and plans with a view to enhance shareholders' interests while the day-to-day operations of the Company are delegated to the management with proper supervision from the Board. The Board reserves for its decisions on all major matters of the Company, including the approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, corporate governance, material transactions (in particular those may involve conflict of interests), financial information, appointment of directors and other significant financial and operational matters.

The Board is responsible for determining the policy for corporate governance of the Company and performing the corporate governance duties including:

(a) to develop and review the Company's policies and practices on corporate governance;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirement;

(d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

(e) to review the Company's compliance with the CG Code.

The Company Secretary assists the Chairman in preparing the agenda for Board meetings. All Directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary, with a view to ensuring that Board procedures and all applicable rules and regulations are followed. Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

The day-to-day management, administration and operation of the Company are delegated to the Managing Director and the management. The delegated functions and work tasks are periodically reviewed by the Board after being reported on by management. Approval has to be obtained from the Board prior to any significant decisions being made or significant transactions or commitments being entered into by the abovementioned officers, who cannot exceed any authority given to them by resolutions of the Board or the Company.

The Board has the full support of the Managing Director and the management to discharge its responsibilities.

The Company has arranged for appropriate insurance cover in respect of legal actions against the Board and to indemnify its directors for their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Composition

As at the date of this Annual Report, the Board comprises seven members, consisting of four executive Directors, and three independent non-executive Directors.

The Company had adopted a Board diversity policy aiming to set out the approach to achieve the diversity of the Board. The Company recognises and embraces the benefits of having a diverse Board to enhance the quality of its performance. The Board has in its composition a balance of skills, expertise, qualifications, experience and diversity of perspectives necessary for independent decision making and fulfilling its business needs. All Board appointments will continue to be made on a merit basis with due regard for the benefits of diversity of the Board members.

The Nomination Committee will follow a range of diversified perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be made upon possible contribution that the selected candidates will bring to the Board.

The Board of the Company comprises the following Directors as at 31 March 2019:

Executive Directors

Mr. Lu Quanzhang *(Chairman)*
Mr. Tjia Boen Sien *(Managing Director and Deputy Chairman) (Member of Remuneration Committee and Nomination Committee)*
Mr. Wang Jing Ning *(Member of Remuneration Committee and Nomination Committee)*
Mr. Tjia Wai Yip, William

Independent Non-Executive Directors

Dr. Ho Chung Tai, Raymond (Member of Audit Committee, Remuneration Committee and Nomination Committee)
Ir Siu Man Po (Member of Audit Committee, Remuneration Committee and Chairman of Nomination Committee)
Mr. Siu Kam Chau (Chairman of Audit Committee, Remuneration Committee and member of Nomination Committee)

Details of the backgrounds and qualifications of the chairman of the Company and the other Directors are set out under the section headed "**Biographical details of directors and senior management**" on pages 28 to 30 of this Annual Report. All Directors have given sufficient time and attention to the affairs of the Group. Each executive Director has sufficient experience to hold the position so as to carry out his duties effectively and efficiently. Save for Mr. Tjia Boen Sien and Mr. Tjia Wai Yip, William, who are father and son, none of the members of the Board are related to one another or have any financial, business, family or other material or relevant relationships with each other.

During the year ended 31 March 2019, the Board at all times complied with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one independent non-executive Director possessing appropriate professional qualifications, or accounting or related financial management expertise.

The Company has received written annual confirmation from each independent non-executive Director of his independence pursuant to the requirements of the Listing Rules. The Company considers all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

The independent non-executive Directors brings independent judgement on issues of strategies direction, policies, development, performance and risk management through their contribution at Board Meetings.

The independent non-executive Directors bring a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive Directors will scrutinise the performance of the Company in achieving corporate goals and objectives and monitor performance reporting. By doing so, they are able to contribute positively to the Company's strategy and policies through independent, constructive and informed comments at Board and committee meetings.

The Board values the contribution of the independent non-executive Directors, and strives to ensure constructive relations between them and the executive Directors. All Directors are encouraged to contribute their views during Board meetings.

Appointment and Succession Planning of Directors

The Company has established formal, considered and transparent procedures for the appointment and succession planning of Directors. Directors to be appointed will receive a formal letter of appointment setting out the key terms and conditions of their appointment. Any Board member is entitled to recommend suitable candidate that meet the requirements of the Listing Rules for consideration by the Board.

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. In accordance with the Company's Bye-Laws, every Director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. Although the independent non-executive Directors do not have a specific term of appointment, all Directors of the Company retire by rotation once every three years. As such, the Board considers that sufficient measures have been taken to ensure that the Company's corporate governance practices are comparable with those in the Code.

Training for Directors and Company Secretary

Each newly appointed director receives comprehensive, formal induction to ensure that he/she has appropriate understanding of the business and his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

During the year ended 31 March 2019, the Directors are regularly updated and appraised with any new regulations and guideline, as well as any amendments thereto issued by the Stock Exchange, particularly the effects of such new or amended regulations and guidelines on directors specifically. On an ongoing basis, Directors are encouraged to keep up to date on all matters relevant to the Group and attend briefings and seminars as appropriate.

The Company is aware of the requirement to regularly review and agrees with each Director their training needs. The continuing professional training program of the Company for Directors will be reviewed on an ongoing basis by the Nomination Committee. During the year ended 31 March 2019, all Directors have individually attended seminars and training courses conducted by qualified professions on accounting, taxation and Listing Rules.

There are also arrangements in place for providing continuing briefing and professional development to directors whenever necessary.

For the year ended 31 March 2019, the Company Secretary of the Company has taken no less than 15 hours of relevant professional training.

Board Meetings

Code Provision A.1.1 stipulates that the Company should hold at least four regular Board meetings a year at approximately quarterly intervals with active participation of a majority of Directors, either in person or through other electronic means of communication.

Regular Board meetings were held during the year for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year under review, ten full board meetings were held. Details of the attendance of the Directors are as follows:

Executive Directors	**Directors' Attendance**
Mr. Lu Quanzhang *(Chairman)*	10/10
Mr. Tjia Boen Sien *(Managing Director and Deputy Chairman)*	10/10
Mr. Wang Jing Ning	9/10
Mr. Tjia Wai Yip, William	10/10
Independent Non-Executive Directors	
Dr. Ho Chung Tai, Raymond	10/10
Ir Siu Man Po	10/10
Mr. Siu Kam Chau	10/10

Notices of regular Board meetings were served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Agenda and Board papers together with all appropriate information are sent to all Directors at least three days before each Board meeting or committee meeting so as to ensure that there is timely access to relevant information. All Directors can give notice to the Chairman of the Board or the Company Secretary if they intend to include matters in the agenda for Board meetings. The Board and the senior management are also obligated to keep the Directors appraised of the latest developments and financial position of the Group and to enable them to make informed decisions. The Board and each Director also have separate and independent access to the senior management whenever necessary in a timely manner.

Apart from the above regular Board meetings of the year, the Board will meet on other occasions when a Board-level decision on a particular matter is required. The Directors will receive details of agenda items for decision in advance of each Board meeting.

The Company Secretary, who is an employee of the Company, is responsible to take and keep minutes of all Board meetings and Board committee meetings, which record in sufficient detail the matters considered by the Board and decisions reached, including any concerns raised by Directors or dissenting views expressed. At Board meetings, all Directors have ample opportunities to express their respective views, voice any concerns and discuss the matters under consideration, and the results of voting at Board meetings fairly reflects the consensus of the Board. Draft minutes are normally circulated to Directors for comment within a reasonable time after each meeting and the final version is open for Directors' inspection. Directors are entitled to have access to board papers and queries will be responded fully. According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a Director, will be considered and dealt with by the Board at a duly convened Board meeting. Such Director must abstain from voting and will not be counted as quorum.

Directors' commitments

Each Director has confirmed that he can give sufficient time and attention to the Group's affairs, and has regularly provided information on the number and nature of offices held in public companies or organisations and other significant commitments, including the identity of such companies or organisations and an indication of the time involved.

ANNUAL GENERAL MEETING

The Company held the annual general meeting ("**2018 AGM**") on 20 August 2018. Mr. Wang Jing Ning was unable to attend the annual general meeting of the Company due to business engagements. Mr. Tjia Wai Yip, William, the executive Director, was elected as the chairman of the annual general meeting to ensure effective communication with shareholders of the Company at the meeting.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and the Managing Director, who performs similar role as Chief Executive Officer, to ensure a balance of power and authority. The respective responsibilities of the Chairman and the Managing Director are clearly defined and set out in writing. The Chairman provides leadership for the Board and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chairman is primarily responsible for ensuring good corporate governance practices and procedures are established. He encourages all Directors to make full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company. He ensures that appropriate steps are taken to provide effective communication with shareholders and their views are communicated to the Board as a whole. With the support of the management, the Chairman is also responsible for ensuring that the Directors receive adequate information (whether from senior management or otherwise) in a timely manner, which is accurate, clear, complete and reliable, and appropriate briefing on issues arising at Board meetings as well as to ensure constructive relations between the executive and non-executive Directors.

The Managing Director focuses on implementing objectives, policies and strategies approved and delegated by the Board. He is in charge of the Group's day-to-day management and operations. The Managing Director is also responsible for developing strategic plans and formulating the organisational structure, control systems and internal procedures and processes for the Board's approval, as well as developing policies and practices on corporate governance and compliance with legal and regulatory requirements. The position of the Chairman is held by Mr. Lu Quanzhang while the position of the Managing Director is held by Mr. Tjia Boen Sien.

The Chairman has held a meeting with the independent non-executive Directors without the executive Directors.

BOARD COMMITTEES

The Board has established three committees, namely, the Remuneration Committee, Nomination Committee and Audit Committee, for overseeing particular aspects of the Group's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees have complied with the Code provisions and are available on the Stock Exchange website www.hkexnews.hk and the Company's website www.deson.com and are available to shareholders upon request. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses. These Board committees will report back to the Board on their decisions or recommendations.

Remuneration Committee

Mr. Tjia Boen Sien, Mr. Wang Jing Ning, Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau are the members of the Remuneration Committee and Mr. Siu Kam Chau is the chairman of the committee. The primary objectives of the Remuneration Committee include making recommendations on and approving the remuneration policy and structure and remuneration packages of the executive Directors and the executives after consultation with the Chairman/Managing Director and accessed to professional advice, at the Group's expense, when necessary. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Group as well as market practice and conditions. The Remuneration Committee normally meets towards the end of each year to reviewing the remuneration policy and structure and determination of the annual remuneration packages of the executive Directors, independent non-executive Directors and senior management and other related matters. The Group's remuneration policy is to maintain fair and competitive remuneration packages based on business needs and market practice. Factors such as market rate, an individual's qualification, experience, performance and time commitment are taken into account during the remuneration package determination process. The Remuneration Committee met one time during the year ended 31 March 2019 and reviewed the remuneration policy and structure of the Company and remuneration packages of the executive Directors, independent non-executive Directors and senior management for the year under review. Recommendations have been made to the Board.

Details of attendance record of members of the Remuneration Committee are set out below:

Name of member	Members' Attendance
Mr. Tjia Boen Sien	1/1
Mr. Wang Jing Ning	1/1
Dr. Ho Chung Tai, Raymond	1/1
Ir Siu Man Po	1/1
Mr. Siu Kam Chau	1/1

Nomination Committee

Mr. Tjia Boen Sien, Mr. Wang Jing Ning, Dr. Ho Chung Tai, Raymond, Ir Siu Man Po and Mr. Siu Kam Chau are the members of the Nomination Committee and Ir Siu Man Po is the chairman of the committee. The primary objectives of the Nomination Committee include reviewing the Board composition and identifying and nominating candidates for appointment to the Board such that it has the relevant blend of skills, knowledge, gender, age, cultural. Educational background, professional experience and diversity of perspectives. The Nomination Committee also assesses the independence of independent non-executive Directors and make recommendation to the Board on the appointment and reappointment of Directors and succession planning for Directors. Candidates for appointment as Directors may be sourced internally or externally through various channels such as using the services of specialist executive search firms. The aim is to appoint individuals of the highest caliber in their area of expertise and experience. The Nomination Committee met one time during the year ended 31 March 2019 and reviewed the structure, size and composition of the Board for the year under review.

Details of attendance record of members of the Nomination Committee are set out below:

Name of member	Members' Attendance
Mr. Tjia Boen Sien	1/1
Mr. Wang Jing Ning	1/1
Dr. Ho Chung Tai, Raymond	1/1
Ir Siu Man Po	1/1
Mr. Siu Kam Chau	1/1

The following policy has been adopted by the nomination committee to assist it in fulfilling its duties and responsibilities as provided in its terms of reference. The policy may be amended from time to time by the committee as provided therein.

Recommended candidates

The committee shall consider any and all candidates recommended as nominees for directors to it by any directors or shareholders; provided that in the case of shareholder recommendations, such recommendations comply with all applicable notice requirements set forth in the Company's bye-laws, the procedures for a shareholder's nomination to be properly brought before a general meeting, and the Listing Rules. The committee may also consider, in its sole discretion, any and all candidates recommended as nominees for directors to it by any source.

Desired qualifications, qualities and skills

The committee shall endeavour to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of all shareholders. Candidates will be selected for their ability to exercise good judgment, to provide the commitment to enhancing shareholder value, practical insights and diverse perspectives. Candidates will also be assessed in the context of the then-current composition of the board, the operating requirements of the Company and the long-term interests of all shareholders. In conducting this assessment, the committee will, in connection with its assessment and recommendation of director candidates, consider diversity (including, but not limited to, gender, age, cultural and educational background, ethnicity, professional experience and skills) and such other factors as it deems appropriate given the then-current and anticipated future needs of the board and the Company, and to maintain a balance of perspectives, qualifications, qualities and skills on the board. The committee may also consider such other factors as it may deem are in the best interests of the Company and its shareholders. The above diversity perspectives, taking into account the Company's business model and needs, are set out in a board diversity policy which has been established by the Company to see that diversity on the board can be achieved.

Independence

The committee shall ensure that at least one-third of the board members (or such other number of the members of the board as prescribed by the Listing Rules from time to time) meet the definition of independent nonexecutive director. The committee shall annually assess each nominee for independent non-executive director by reviewing any potential conflicts of interest that he or she and their immediate family members (as defined in the Listing Rules) may have, based on the criteria for independence set forth in Rule 3.13 of the Listing Rules. A retiring independent non-executive director who has served the board for a period of nine consecutive years or more is eligible for nomination by the board to stand for re-election at a general meeting provided that he or she is still considered independent by the board.

Nominee evaluation process

The committee will consider as a candidate any director who has indicated his or her willingness to stand for re-election and any other person who is recommended by any shareholders. The committee may also undertake its own search process for candidates and may retain the services of professional firms or other third parties to assist in identifying and evaluating potential nominees. The committee may use any process it deems appropriate for the purpose of evaluating candidates which is consistent with those set forth in its terms of reference, the Company's bye-laws, the corporate governance policy and the policy described herein; provided that the process used for evaluating a nominee for each election or appointment of directors shall be substantially similar and under no circumstances shall the committee evaluate nominees recommended by a shareholder pursuant to a process that is substantially different than that used for other nominees for the same election or appointment of directors.

Nomination procedures

1. The secretary of the committee shall call a meeting of the committee, and invite nominations of candidates from board members, if any, for consideration by the committee prior to its meeting. The committee may also put forward candidates who are not nominated by board members.

2. For filling a casual vacancy, the committee shall make recommendations for the board's consideration and approval. For proposing candidates to stand for election at a general meeting, the committee shall make nominations to the board for its consideration and recommendation.

3. Until the issue of the shareholder circular, the nominated persons shall not assume that they have been proposed by the board to stand for election at the general meeting.

4. In order to provide information of the candidates nominated by the board to stand for election at a general meeting, a circular will be sent to shareholders. The circular will set out the names, brief biographies (including qualifications and relevant experience), and any other information, as required pursuant to applicable laws, rules and regulations, of the proposed candidates.

5. A shareholder can serve a notice to the board of directors or the company secretary within the lodgement period of its intention to propose a resolution to elect a certain person as a director in accordance with the relevant procedures posted on the Company's website. The particulars of the candidates so proposed will be provided to all shareholders for information by way of announcement and/or supplementary circular.

6. A candidate is allowed to withdraw his or her candidature at any time before the general meeting by serving a notice in writing to the board of directors or the company secretary.

7. The board shall have the final decision on all matters relating to its recommendation of candidates to stand for election at any general meeting.

8. Shareholder proposed resolutions shall take the same form as the resolutions proposed for the candidates recommended by the board.

During the year, the nomination committee reviewed the board composition and independence of independent non-executive directors, and considered the suitability of those retiring directors standing for re-election at the next annual general meeting as well as the need for a director succession plan. The committee also reviewed the nomination policy and the board diversity policy and discussed the objectives set for implementing the latter, and noted that those objectives had been achieved. The committee concluded that the board composition should continue unchanged.

Audit Committee

The Audit Committee comprises the three independent non-executive Directors (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and Mr. Siu Kam Chau is the chairman of the committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(a) to review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant, compliance officer (if any) or external auditor before submission to the Board;

(b) to review the relationship with the external auditor by reference to the work performed by the auditor, their fees, terms of engagement and independence, and make recommendation to the Board on the appointment, reappointment and removal of external auditor;

(c) to review the adequacy and effectiveness of the Group's financial reporting system, and risk management system, internal control system and associated procedures; and

(d) to review the adequacy of resources, qualifications and experience of the Group's accounting and financial reporting staff, their training programs, and budget.

The Audit Committee held two meetings during the year ended 31 March 2019 to review the financial results and reports, financial reporting and compliance procedures, and discussed matters concerning the effectiveness of internal control systems and the re-appointment of the external auditor. Minutes of Audit Committee meetings are kept by the Company Secretary of the Company. Draft and final version of the minutes of meetings are sent to all committee members for comments within a reasonable time after the meeting. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. Sufficient resources are provided by the Company for the Audit Committee to perform its duties.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of the external auditor.

Details of the attendance record of the Audit Committee Meetings are as follows:

Name of Member	**Members' Attendance**
Mr. Siu Kam Chau	2/2
Dr. Ho Chung Tai, Raymond	2/2
Ir Siu Man Po	2/2

COMPANY SECRETARY

Please refer to section headed "**Biographical details of directors and senior management**" on page 30 of this Annual Report for biographical details of the Company Secretary.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the Directors' and chief executive's remuneration, five highest paid employees and senior management's emoluments are set out in notes 8 and 9 to the consolidated financial statements, respectively.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT ("ESG REPORT")

The Company will issue a separate ESG Report no later than three months after the publication date of this Annual Report in compliance with the Appendix 27 to the Listing Rules.

DIVIDEND POLICY

The Board has adopted its dividend policy on 1 January 2019. The Company's dividend policy allows the shareholders of the Company (the "**Shareholders**") to share the profits of the Company whilst retaining adequate reserves for the Group's future growth.

According to the Company's dividend policy, in addition to the final dividends, the Company may declare interim dividends or special dividends from time to time.

According to the Company's dividend policy, the Board shall consider the following factors before proposing and declaring dividends:

(i) the Group's general financial condition;

(ii) the Group's working capital and debt level;

(iii) the Group's liquidity position;

(iv) retained profits and distributable reserves of the Company and each of the subsidiaries of the Group;

(v) future cash requirements and availability for business operations, business strategies and future development needs;

(vi) any restrictions on payment of dividends that may be imposed by the Group's lenders;

(vii) the general market conditions;

(viii) the general economic conditions and other internal or external factors that may have an impact on the business or financial performance and position of the Group; and

(ix) any other factors that the Board deems relevant.

The declaration and payment of dividends by the Company is also subject to any restrictions under the Laws of the Bermuda, the articles of association of the Company and any applicable laws, rules and regulations.

The Company's dividend policy will be reviewed from time to time by the Board and there is no assurance that dividends will be paid in any particular amount for any given period.

AUDITOR'S REMUNERATION

For the year ended 31 March 2019, the Group had engaged the Group's external auditor, Ernst & Young, to provide the following services and their respective fees charged are set out below:

Fees charged for the year ended 31 March 2019:

Type of services:	*HK$'000*
Annual audit for the Group	1,800
Other audit/review-related services for the Group	350
	2,150

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year ended 31 March 2019. The Company has adopted the same Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Model Code by the relevant employees was noted by the Company.

Whistleblowing Policy

The Company is committed to achieving and maintaining a high standard of probity, openness, and accountability. A Whistleblowing Policy is in place to create a system for the employees and other stakeholders of the Company to raise concerns, in confidence, about possible improprieties. The identity of each whistleblower and all information provided in connection with a whistleblowing report will be treated with the strictest confidence.

Continuous Disclosure Policy

A Continuous Disclosure Policy is in place to ensure potential inside information as defined in the SFO is identified and confidentiality of such information is maintained until timely and appropriate disclosure is made in accordance with the Listing Rules. The policy regulates the handling and dissemination of inside information, which includes:

- Roles and responsibilities of the divisions/departments of the Company in identifying and escalating any potential inside information within the Company; and
- Procedures for determining the necessity, means and/or extent of disclosure of such information.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for overseeing the preparation of financial statements on a going concern basis, with supporting assumptions or qualifications as necessary, for each financial period with a view to ensuring that such financial statements give a true and fair view of the consolidated financial position of the Group and its consolidated financial performance and consolidated cash flows for the financial year. Management of the Company has provided such explanation and information to the Board to enable the Board to make an informed assessment of the financial and other information put before the Board for approval. The Group's consolidated financial statements are prepared in accordance with the Listing Rules, the disclosure requirements of the Hong Kong Companies Ordinance, all relevant statutory requirements and applicable accounting standards. The Group has selected appropriate accounting policies and has applied them consistently based on prudent and reasonable judgements and estimates.

The Directors endeavour to ensure a balanced, clear and understandable assessment of the Company's position and prospect in the annual reports, interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements. The Directors acknowledge their responsibility for preparing the consolidated financial statements of the Group for the year ended 31 March 2019. The statement of the external auditor of the Group about their reporting responsibilities on the financial statements is set out in the "**Independent Auditor's Report**" on pages 46 to 50 of this Annual Report. Management of the Group is obligated to provide sufficient explanation and information to the Board so that it can make informed assessment of relevant matters.

RISK MANAGEMENT AND INTERNAL MONITORING

Risk Management and Internal Control

During the year, the Group has complied with Principle C.2 of the Corporate Governance Code by establishing appropriate and effective risk management and internal control systems. Management is responsible for the design, implementation and monitoring of such systems, while the Board oversees management in performing its duties on an ongoing basis. Main features of the risk management and internal control systems are described in the sections below:

Risk Management System

The Group adopts a risk management system which manages the risk associated with its business and operations. The system comprises the following phases:

Identification: Identify ownership of risks, business objectives and risks that could affect the achievement of objectives.

Evaluation: Analyse the likelihood and impact of risks and evaluate the risk portfolio accordingly.

Management: Consider the risk responses, ensure effective communication to the Board and on-going monitor the residual risks.

Based on the risk assessments conducted in 2018/19, no significant risk was identified.

Internal Control System

The Company has in place an internal control system which is compatible with the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") 2013 framework. The framework enables the Group to achieve objectives regarding effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations. The components of the framework are shown as follows:

Control Environment: A set of standards, processes and structures that provide the basis for carrying out internal control across the Group;

Risk Assessment: A dynamic and iterative process for identifying and analysing risks to achieve the Group's objectives, forming a basis for determining how risks should be managed;

Control Activities: Action established by policies and procedures to help ensure that management directives to mitigate risks to the achievement of objectives are carried out;

Information and Communication: Internal and external communication to provide the Group with the information needed to carry out day-to-day controls; and

Monitoring: Ongoing and separate evaluations to ascertain whether each components of internal control is present and functioning.

In order to enhance the Group's system of handling inside information, and to ensure the truthfulness, accuracy, completeness and timeliness of its public disclosures, the Group also adopts and implements an inside information policy and procedures. Certain reasonable measures have been taken from time to time to ensure that proper safeguards exist to prevent a breach of a disclosure requirement in relation to the Group, which include:

- The access of information is restricted to a limited number of employees on a need-to-know basis. Employees who are in possession of inside information are fully conversant with their obligations to preserve confidentiality.

- Confidentiality agreements are in place when the Group enters into significant negotiations.

- The Executive Directors are designated persons who speak on behalf of the Company when communicating with external parties such as the media, analysts or investors.

Based on the internal control reviews conducted in 2018/19, no significant control deficiency was identified.

Internal Auditors

The Group has an Internal Audit ("**IA**") function, which is consisted of professional staff with relevant expertise (such as Certified Public Accountant). The IA function is independent of the Group's daily operation and carries out appraisal of the risk management and internal control systems by conducting interviews, walkthroughs and tests of operating effectiveness.

An IA plan has been approved by the Board. According to the established plan, review of the risk management and internal control systems is conducted semi-annually and the results are reported to the Board via Audit Committee afterwards.

Effectiveness of the Risk Management and Internal Control Systems

The Board is responsible for the risk management and internal control systems of the Group and ensuring review of the effectiveness of these systems has been conducted annually. Several areas have been considered during the Board's reviews, which include but not limited to (i) the changes in the nature and extent of significant risks since the last annual review, and the Group's ability to respond to changes in its business and the external environment; and (ii) the scope and quality of management's ongoing monitoring of risks and of the internal control systems.

The Board, through its review and the reviews made by IA function and Audit Committee, concluded that the risk management and internal control systems were effective and adequate. Such systems, however, are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. It is also considered that the resources, staff qualifications and experience of relevant staff were adequate and the training programs and budget provided were sufficient.

INVESTOR RELATIONS

The Company is committed to maintaining an open and effective investor relations policy and to updating investors on relevant information/developments in a timely manner, subject to relevant regulatory requirements. Briefings and meetings with institutional investors and analysts are conducted from time to time. The Company also replied to any enquiries from shareholders in a timely manner. The Directors host the annual general meeting each year to meet the shareholders and answer their enquiries. The corporate website of the Company at www.deson.com provides a communication platform via which the public and investor community can access up-to-date information regarding the Group.

The Company's 2018 AGM was held on 20 August 2018. The notice of the 2018 AGM, the annual report and the circular containing relevant information of the proposed resolutions were sent to shareholders more than 20 clear business days before the 2018 AGM. All Board members together with the key executives and the external auditor attended the 2018 AGM. The Chief Executive Officer explained the poll voting procedures at the 2018 AGM. Separate resolutions for each substantially separate issue, including the re-election of individual Directors, were proposed at the 2018 AGM. All the resolutions at the 2018 AGM were dealt with by poll. The poll results of the 2018 AGM are available on the Company's website and the Stock Exchange's website.

Shareholders may also send any enquiries, suggestions or concerns to the Board at any time through the Company Secretary, whose contact details are as follows:

Address	:	The Company Secretary Deson Development International Holdings Limited 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong
Email	:	deson@deson.com
Telephone no.	:	(852) 2570 1118
Fax no.	:	(852) 3184 3402

The Company Secretary will forward such communications to the Board, the relevant Board committees and/or the Chief Executive Officer, as appropriate.

SHAREHOLDER RIGHTS

To ensure compliance with the CG Code, the notice of the meeting, the annual report and the circular containing information on the proposed resolutions will be sent to shareholders at least 20 clear business days before the annual general meeting. Voting at the forthcoming annual general meeting will be by way of a poll. An explanation of the detailed procedures of conducting a poll will be provided to shareholders at the commencement of the annual general meeting to ensure that shareholders are familiar with such procedures.

Poll results will be counted by Hong Kong Branch Share Registrar, Tricor Tengis Limited and will be posted on the websites of the Company and of the Stock Exchange on the day the shareholders' meeting held. The general meetings of the Company provide an opportunity for communication between the shareholders and the Board. The Chairman of the Board as well as chairmen of the Remuneration Committee, Nomination Committee and Audit Committee, or in their absence, other members of the respective committees, and where applicable, the independent Board committee, are available to answer questions at the shareholders' meetings. The Company will also arrange for the external auditor to attend the annual general meetings to answer relevant questions if necessary.

Separate resolutions are proposed at shareholders' meetings on each substantial issue, including the election of individual Directors.

In addition to regular Board meetings, the Board, on the requisition of shareholders of the Company holding not less than one-tenth of the paid-up capital of the Company, may convene a special general meeting to address specific issues of the Company within 21 days from the date of deposit of written notice to the Company Secretary, at the Company's head office at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong. The requisition must state the purposes of the meeting, and must be signed by the requisitionist(s). Shareholders may also use this same method to put forward proposals for the next general meeting.

There was no significant change in the Company's constitutional documents during the year ended 31 March 2019.

SHAREHOLDERS COMMUNICATION POLICY

The Company has established a Shareholders Communication Policy to set out the Company's procedures in providing the shareholders and the investment community with ready, equal and timely access to balanced and understandable information about the Company, in order to enable the shareholders to exercise their rights in an informed manner and to allow the shareholders and the investment community to engage actively with the Company.

Independent Auditor's Report
To the shareholders of Deson Development International Holdings Limited
(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Deson Development International Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 51 to 149, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of investment properties	
As at 31 March 2019, the Group's investment properties measured at fair value amounted to HK$1,031,589,000 with an aggregate gain arising from the changes in fair value recognised in the statement of profit or loss of HK$66,456,000 for the year then ended. The valuation process is inherently subjective, and dependent on a number of estimates. To support management's determination of the fair value, the Group has engaged an independent professionally qualified valuer to perform the valuation of investment properties. Relevant disclosures are included in notes 3 and 14 to the financial statements.	Our audit procedures included the evaluation of the objectivity, independence and expertise of the valuer, and assessment of their valuation methodology. We examined the data used as inputs for the valuation, which included making reference to the market unit selling price of comparable properties nearby used in the valuation and performing market value benchmarking against comparable properties. We also involved our internal valuation specialists to assist us in evaluating the key assumptions and methodologies for the valuation of the investment properties held by the Group.
Net realisable value assessment on properties held for sale under development and properties held for sale	
As at 31 March 2019, the Group's properties held for sale under development and properties held for sale amounted to HK$202,011,000 and HK$771,902,000, respectively. Properties held for sale under development and properties held for sale were stated at the lower of cost and net realisable value. The net realisable value of these properties was assessed by management and was heavily influenced by developments in the housing market in Mainland China and economic considerations. To assist management's determination of the net realisable value, the Group has engaged an independent professionally qualified valuer to perform the valuation of certain of these properties. The assessment was significant to our audit, considering the complexity of the estimation process where construction budgeting is involved; the estimation of sales proceeds and the assumptions used in the estimates; and the degree of judgement involved. Relevant disclosures are included in notes 3 and 18 to the financial statements.	Our audit procedures included the understanding and reviewing of management's assessment process and assumptions adopted; referring to externally available industry and market data; and considering actual sales transactions of the Group's properties during the year and subsequent to the end of the reporting period. When external valuation was performed by the valuer and considered by management to assist their net realisable value assessment, we evaluated the objectivity, independence and expertise of the valuer, and performed assessment on their valuation methodology. We discussed with and understood from management for how they would apply the valuation in their net realisable value assessment and the rationale. We examined the data used as inputs for the valuation, which included making reference to the market unit selling price of comparable properties nearby used in the valuation and performing market value benchmarking against comparable properties. We also involved our internal valuation specialists to assist us in evaluating the key assumptions and methodologies for the valuation of the properties subject to such valuation.

KEY AUDIT MATTERS *(continued)*

Key audit matter	How our audit addressed the key audit matter
Valuation of unlisted equity investments	
As at 31 March 2019, the Group's unlisted equity investments measured at fair value through other comprehensive income and through profit or loss amounted to HK$9,400,000 and HK$105,380,000, respectively, which were measured at fair value and categorised as Level 3 within the fair value hierarchy with significant unobservable inputs. The Group applied valuation techniques to determine the fair value of these unlisted investments that were not quoted in active markets. These valuation techniques, in particular those including significant unobservable inputs, involved subjective judgements and assumptions. Changes in the key inputs and assumptions on which the fair value of these unlisted equity investments is based could have a material impact on the valuation of these unlisted investments as at the end of the reporting period and could significantly affect the change in fair value being recognised for the reporting period. Relevant disclosures are included in notes 3 and 16 to the financial statements.	Our audit procedures included the evaluation of the objectivity, independence and expertise of the valuer, and assessment of their valuation methodology. We reviewed and tested the inputs and assumptions used for the valuation of the unlisted equity investments. We also involved our internal valuation specialists to assist us in evaluating the key assumptions and methodologies for the valuation of the unlisted equity investments of the Group, such as market comparables, discount rates, volatility through comparison with the valuation methodologies that are commonly used in the market and checking unobservable inputs used against available market information.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lai Ho Yin.

Ernst & Young
Certified Public Accountants
22/F CITIC Tower
1 Tim Mei Avenue
Central
Hong Kong

21 June 2019

	Notes	2019 HK$'000	2018 HK$'000
REVENUE	5	**259,417**	190,783
Cost of sales		**(168,056)**	(142,359)
Gross profit		**91,361**	48,424
Other income and gains	5	**11,694**	19,479
Fair value gain on investment properties		**66,456**	53,935
Administrative expenses		**(72,349)**	(68,609)
Other operating income/(expenses), net		**(54,502)**	5,268
Finance costs	7	**(1,566)**	(3,935)
Share of profits and losses of associates		**(4,527)**	8,671
PROFIT BEFORE TAX	6	**36,567**	63,233
Income tax expense	10	**(13,165)**	(16,198)
PROFIT FOR THE YEAR		**23,402**	47,035
Attributable to:			
Owners of the Company		**27,486**	47,776
Non-controlling interests		**(4,084)**	(741)
		23,402	47,035
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	12		
Basic and diluted		**HK2.81 cents**	HK4.89 cents

Consolidated Statement of Comprehensive Income

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
PROFIT FOR THE YEAR		**23,402**	47,035
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:			
Exchange differences:			
Exchange differences on translation of foreign operations		**(83,352)**	135,802
Reclassification adjustment for a foreign operation disposed of during the year		**–**	3,281
Share of other comprehensive income/(loss) of associates		**(1,608)**	850
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods		**(84,960)**	139,933
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:			
Equity investment designated at fair value through other comprehensive income:			
Changes in fair value		**(8,400)**	–
Income tax effect		**622**	–
Leasehold land and buildings:			
Surplus on revaluation	13	**14,422**	13,152
Income tax effect	28	**(2,663)**	(2,610)
Share of other comprehensive income of associates		**715**	419
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		**4,696**	10,961
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR, NET OF TAX		**(80,264)**	150,894
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(56,862)**	197,929
Attributable to:			
Owners of the Company		**(52,790)**	198,658
Non-controlling interests		**(4,072)**	(729)
		(56,862)	197,929

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**228,562**	226,736
Investment properties	14	**1,031,589**	1,031,125
Investments in associates	15	**27,109**	118,352
Equity investment designated at fair value through other comprehensive income	16	**9,400**	–
Equity investments at fair value through profit or loss	16	**105,380**	–
Available-for-sale investments	16	**–**	21,641
Total non-current assets		**1,402,040**	1,397,854
CURRENT ASSETS			
Due from associates	15	**4,515**	576
Due from related companies	17	**4,237**	3,479
Properties held for sale under development and properties held for sale	18	**973,913**	1,130,094
Inventories	19	**11,505**	8,195
Accounts receivable	20	**20,655**	34,300
Prepayments, deposits and other receivables	21	**46,789**	30,938
Financial assets at fair value through profit or loss	22	**–**	4,510
Tax recoverable		**27,234**	–
Pledged deposits	23	**3,000**	126,000
Cash and cash equivalents	23	**29,487**	68,259
		1,121,335	1,406,351
Non-current asset classified as held for sale	24	**68,589**	–
Total current assets		**1,189,924**	1,406,351
CURRENT LIABILITIES			
Accounts payable	25	**6,655**	12,253
Other payables and accruals	26	**299,480**	318,778
Due to associates	15	**5,177**	5,258
Tax payable		**22,499**	36,359
Interest-bearing bank and other borrowings	27	**226,632**	271,721
Total current liabilities		**560,443**	644,369
NET CURRENT ASSETS		**629,481**	761,982
TOTAL ASSETS LESS CURRENT LIABILITIES		**2,031,521**	2,159,836

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	27	**192,642**	340,241
Deferred tax liabilities	28	**191,538**	169,791
Total non-current liabilities		**384,180**	510,032
Net assets		**1,647,341**	1,649,804
EQUITY			
Equity attributable to owners of the Company			
Issued capital	29	**97,788**	97,788
Reserves	31	**1,553,485**	1,552,625
		1,651,273	1,650,413
Non-controlling interests		**(3,932)**	(609)
Total equity		**1,647,341**	1,649,804

Tjia Boen Sien
Director

Wang Jing Ning
Director

		Attributable to owners of the Company												
	Note	Issued capital HK$'000	Share premium account HK$'000	Contributed surplus HK$'000	Other reserve HK$'000	Property revaluation reserve HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Exchange fluctuation reserve HK$'000	Reserve funds HK$'000	Retained profits HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 April 2017		97,788	243,040	15,262	23,061	123,367	(9,240)	14,457	4,656	(54,538)	3,673	995,067	1,456,593	120	1,456,713
Profit for the year		–	–	–	–	–	–	–	–	–	–	47,776	47,776	(741)	47,035
Other comprehensive income for the year:															
Surplus on revaluation of leasehold land and buildings, net of tax		–	–	–	–	10,542	–	–	–	–	–	–	10,542	–	10,542
Share of other comprehensive income of associates		–	–	–	–	419	–	–	–	850	–	–	1,269	–	1,269
Exchange differences on translation of foreign operations		–	–	–	–	–	–	–	–	139,071	–	–	139,071	12	139,083
Total comprehensive income/(loss) for the year		–	–	–	–	10,961	–	–	–	139,921	–	47,776	198,658	(729)	197,929
Release of revaluation reserve		–	–	–	–	(5,078)	–	–	–	–	–	5,078	–	–	–
Equity-settled share option arrangement	30	–	–	–	–	–	–	–	52	–	–	–	52	–	52
Expiry of share options	30	–	–	–	–	–	–	–	(2,310)	–	–	2,310	–	–	–
Final 2017 dividend paid		–	–	–	–	–	–	–	–	–	–	(4,890)	(4,890)	–	(4,890)
Disposal of subsidiaries		–	–	–	–	–	–	–	–	–	(2,712)	2,712	–	–	–
At 31 March 2018		97,788	243,040*	15,262*	23,061*	129,250*	(9,240)*	14,457*	2,398*	85,383*	961*	1,048,053*	1,650,413	(609)	1,649,804

Consolidated Statement of Changes in Equity

Year ended 31 March 2019

		Attributable to owners of the Company														
		Issued capital	Share premium account	Contributed surplus	Other reserve	Property revaluation reserve	Fair value reserve	Capital reserve	Capital redemption reserve	Share option reserve	Exchange fluctuation reserve	Reserve funds	Retained profits	Total	Non-controlling interests	Total equity
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 31 March 2018		97,788	243,040	15,262	23,061	129,250	-	(9,240)	14,457	2,398	85,383	961	1,048,053	1,650,413	(609)	1,649,804
Effect of adoption of HKFRS 9	*2.2*	-	-	-	-	-	5,594	-	-	-	-	-	54,898	60,492	-	60,492
Effect of adoption of HKFRS 15	*2.2*	-	-	-	-	-	-	-	-	-	-	-	(1,953)	(1,953)	-	(1,953)
At 1 April 2018 (restated)		97,788	243,040	15,262	23,061	129,250	5,594	(9,240)	14,457	2,398	85,383	961	1,100,998	1,708,952	(609)	1,708,343
Profit for the year		-	-	-	-	-	-	-	-	-	-	-	27,486	27,486	(4,084)	23,402
Other comprehensive income/(loss) for the year:																
Surplus on revaluation of leasehold land and buildings, net of tax		-	-	-	-	11,759	-	-	-	-	-	-	-	11,759	-	11,759
Share of other comprehensive income/(loss) of associates		-	-	-	-	715	-	-	-	-	(1,608)	-	-	(893)	-	(893)
Changes in fair value of equity investment at fair value through other comprehensive income, net of tax		-	-	-	-	-	(7,778)	-	-	-	-	-	-	(7,778)	-	(7,778)
Exchange differences on translation of foreign operations		-	-	-	-	-	-	-	-	-	(83,364)	-	-	(83,364)	12	(83,352)
Total comprehensive loss for the year		-	-	-	-	12,474	(7,778)	-	-	-	(84,972)	-	27,486	(52,790)	(4,072)	(56,862)
Release of revaluation reserve		-	-	-	-	(5,004)	-	-	-	-	-	-	5,004	-	-	-
Expiry of share options	*30*	-	-	-	-	-	-	-	-	(2,398)	-	-	2,398	-	-	-
Final 2018 dividend paid		-	-	-	-	-	-	-	-	-	-	-	(4,889)	(4,889)	-	(4,889)
Capital injection to subsidiaries		-	-	-	-	-	-	-	-	-	-	-	-	-	749	749
At 31 March 2019		97,788	243,040*	15,262*	23,061*	136,720*	(2,184)*	(9,240)*	14,457*	-*	411*	961*	1,130,997*	1,651,273	(3,932)	1,647,341

* These reserve accounts comprise the consolidated reserves of HK$1,553,485,000 (2018: HK$1,552,625,000) in the consolidated statement of financial position.

The contributed surplus of the Group represents the excess of the nominal value of the subsidiaries' shares acquired over the nominal value of the Company's shares issued in exchange thereof, pursuant to the Group's reorganisation on 21 May 1997.

The reserve funds of the Group include statutory reserves required to be appropriated from the profits after tax of the Company's subsidiaries in Mainland China under the laws and regulations of the People's Republic of China ("**PRC**"). The amount of the appropriation is at the discretion of these subsidiaries' boards of directors.

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**36,567**	63,233
Adjustments for:			
Finance costs	7	**1,566**	3,935
Share of profits and losses of associates		**4,527**	(8,671)
Interest income	5	**(1,084)**	(3,323)
Fair value gain on investment properties	6	**(66,456)**	(53,935)
Dividend income from equity investments at fair value through profit or loss	5	**(722)**	–
Dividend income from a financial asset at fair value through profit or loss	5	**(48)**	(111)
Dividend income from available-for-sale investments	5	**–**	(739)
Fair value gain on financial assets at fair value through profit or loss	5	**(118)**	(181)
Loss on disposal of items of property, plant and equipment	6	**96**	21
Depreciation	6	**8,435**	10,498
Reversal of provision for net realisable value of properties held for sale	6	**(12,870)**	(1,180)
Provision/(reversal of provision) for inventories	6	**836**	(138)
Impairment of accounts receivable	6	**728**	–
Impairment of other receivables	6	**1,902**	1,392
Fair value loss on equity investments at fair value through profit or loss	6	**35,984**	–
Impairment of investment in an associate	6	**27,190**	–
Equity-settled share option expenses	6	**–**	52
Gain on disposal of subsidiaries	6	**–**	(6,214)
		36,533	4,639
Increase in amounts due from related companies		**(758)**	(842)
Decrease in properties held for sale under development and properties held for sale		**135,410**	102,251
Decrease/(increase) in inventories		**(4,146)**	387
Decrease in accounts receivable		**11,744**	2,273
Decrease/(increase) in prepayments, deposits and other receivables		**(19,270)**	1,732
Increase/(decrease) in accounts payable		**(5,018)**	2,187
Increase/(decrease) in other payables and accruals		**(377)**	35,403
Cash generated from operations		**154,118**	148,030
Interest paid		**(32,750)**	(46,896)
Overseas taxes paid		**(35,835)**	(18,742)
Net cash flows from operating activities		**85,533**	82,392

Consolidated Statement of Cash Flows

Year ended 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**1,084**	3,323
Dividend income from equity investments at fair value through profit or loss		**722**	–
Dividend income from a financial asset at fair value through profit or loss		**48**	111
Dividend income from available-for-sale investments		**–**	739
Purchases of equity investments at fair value through profit or loss		**(66,364)**	–
Purchases of items of property, plant and equipment	13	**(44)**	(799)
Proceeds from disposal of items of property, plant and equipment		**61**	–
Proceeds from disposal of subsidiaries	32	**–**	89,521
Proceeds from disposal of financial assets at fair value through profit or loss		**4,628**	–
Advances to associates, net		**(4,020)**	(511)
Capital contributions to associates		**(15,460)**	–
Decrease in pledged deposits		**115,000**	72,500
Net cash flows from investing activities		**35,655**	164,884
CASH FLOWS FROM FINANCING ACTIVITIES			
New bank and other borrowings		**164,966**	439,030
Repayment of bank and other borrowings		**(320,839)**	(683,622)
Capital injection to subsidiaries by non-controlling interests		**749**	–
Dividend paid		**(4,889)**	(4,890)
Net cash flows used in financing activities		**(160,013)**	(249,482)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(38,825)**	(2,206)
Cash and cash equivalents at beginning of year		**68,259**	67,787
Effect of foreign exchange rate changes, net		**(1,304)**	2,678
CASH AND CASH EQUIVALENTS AT END OF YEAR		**28,130**	68,259
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	23	**29,487**	68,259
Bank overdrafts	27	**(1,357)**	–
		28,130	68,259

1. CORPORATE AND GROUP INFORMATION

Deson Development International Holdings Limited (the "Company") is a limited liability company incorporated in Bermuda. The principal place of business of the Company is located at 11th Floor, Nanyang Plaza, 57 Hung To Road, Kwun Tong, Kowloon, Hong Kong.

During the year, the Group was involved in the following activities:

- property development and investment; and
- trading of medical equipment and home security and automation products.

Information about subsidiaries

Particulars of the Company's principal subsidiaries as of the end of the reporting period are as follows:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Deson Commercial City Limited	Hong Kong	HK$10,000	Ordinary	–	100	Investment holding
Deson Development Holdings Limited*	British Virgin Islands ("**BVI**")/ Hong Kong	US$200	Ordinary	100	–	Investment holding
Deson Dynasty Investment (HK) Limited	Hong Kong	HK$1	Ordinary	–	100	Investment holding
Deson Property Development (Kaifeng) Co., Ltd. (a)*	PRC/ Mainland China	HK$311,880,000	N/A	–	100	Property development
Deson Ventures Limited*	BVI/ Hong Kong	US$1	Ordinary	–	100	Investment holding
Deson Ventures (Hong Kong) Limited	Hong Kong	HK$1	Ordinary	–	100	Investment holding
Grand On Enterprise Limited	Hong Kong	HK$1	Ordinary	–	100	Property holding
Gosford Technology Limited*	BVI/ Hong Kong	US$1	Ordinary	–	100	Investment holding
Medical Technologies Limited	Hong Kong	HK$10,000	Ordinary	–	100	Trading of medical equipment

1. CORPORATE AND GROUP INFORMATION *(continued)*

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Class of shares held	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
New Perfect Limited*	BVI/ Hong Kong	US$1	Ordinary	–	100	Investment holding
Deson Innovative Limited*	Hong Kong	HK$1,000,000	Ordinary	–	100	Selling, distribution and marketing of home security and automation products
Super Sight Investments Inc.*	BVI/ Mainland China	US$1	Ordinary	–	100	Property development
Universal Focus Developments Limited*	BVI/ Hong Kong	HK$390,000	Ordinary	–	80	Investment holding
Win Glory Properties Limited	Hong Kong	HK$10,000	Ordinary	–	100	Human resources
Wonderful Hope Limited*	BVI/ Mainland China	US$1	Ordinary	–	100	Property development
海南亞豪置業有限公司(a)*	PRC/ Mainland China	RMB10,000,000	N/A	–	100	Property investment

(a) Registered as wholly-foreign-owned enterprises under PRC law.

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for leasehold land and buildings classified as property, plant and equipment, investment properties and equity investments which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 March 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Except for the amendments to HKFRS 4 and *Annual Improvements 2014-2016 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) Amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The amendments have had no impact on the financial position or performance of the Group as the Group does not have any cash-settled share-based payment transactions and has no share-based payment transactions with net settlement features for withholding tax.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(b) HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting.

With the exception of hedge accounting, which the Group has applied prospectively, the Group has recognised the transition adjustments against the applicable opening balances in equity at 1 January 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position, including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("**ECLs**").

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

	Notes	HKAS 39 measurement Category	HKAS 39 measurement Amount	Re-classification	Fair value adjustments	HKFRS 9 measurement Amount	HKFRS 9 measurement Category
			HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	
Financial assets							
Available-for-sale investments		AFS[2]	21,641	(21,641)	–	–	N/A
To: Equity investment designated at fair value through other comprehensive income	*(i)*			(11,584)	–		
To: Equity investments at fair value through profit or loss	*(ii)*			(10,057)	–		
Equity investment designated at fair value through other comprehensive income		N/A	–	11,584	6,216	17,800	FVOCI[1] (equity)
From: Available-for-sale investments	*(i)*			11,584	–		
Equity investments at fair value through profit or loss		N/A	–	10,057	64,943	75,000	FVPL[3] (mandatory)
From: Available-for-sale investments	*(ii)*			10,057	–		
Financial assets at fair value through profit or loss		FVPL	4,510	–	–	4,510	FVPL (mandatory)

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(b) *(continued)*

Classification and measurement *(continued)*

	HKAS 39 measurement Category	HKAS 39 measurement Amount	Re-classification	Other	HKFRS 9 measurement Amount	HKFRS 9 measurement Category
		HK$'000	HK$'000	HK$'000	HK$'000	
Other assets						
Investments in associates	N/A	118,352	–	(3,551)	114,801	N/A
Other liabilities						
Deferred tax liabilities	N/A	169,791	–	7,116	176,907	N/A

1 FVOCI: Financial assets at fair value through other comprehensive income

2 AFS: Available-for-sale investments

3 FVPL: Financial assets at fair value through profit or loss

Notes:

(i) The Group has elected the option to irrevocably designate certain of its previous available-for-sale equity investments as equity investments designated at fair value through other comprehensive income.

(ii) The Group has classified its unlisted investments previously classified as available-for-sale investments as equity investments measured at fair value through profit or loss.

As of 1 April 2018, other financial assets, including amounts due from associates and related companies, accounts receivable, financial assets included in prepayments, deposits and other receivables, pledged deposits and cash and cash equivalents, which were previously classified as loans and receivables under HKAS 39, were reclassified to financial assets at amortised cost under HKFRS 9 at their original carrying values, and there have been no changes to the classification or measurement of financial liabilities as a result of the adoption of HKFRS 9.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(b) *(continued)*

Impact on reserves and retained profits

The impact of transition to HKFRS 9 on reserves and retained profits is as follows:

	Reserves and retained profits *HK$'000*
Fair value reserve under HKFRS 9	
Balance as at 31 March 2018 under HKAS 39	–
Remeasurement of equity investment designated at fair value through other comprehensive income previously measured at cost under HKAS 39	6,216
Deferred tax in relation to the above	(622)
Balance as at 1 April 2018 under HKFRS 9	5,594
Retained profits	
Balance as at 31 March 2018 under HKAS 39	1,048,053
Remeasurement of equity investments at fair value through profit or loss previously measured at cost less impairment under HKAS 39	64,943
Deferred tax in relation to the above	(6,494)
Equity accounting for the effect of adoption of HKFRS 9 in investments in associates	(3,551)
Balance as at 1 April 2018 under HKFRS 9	1,102,951

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(c) HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The disclosures are included in notes 3 and 5 to the financial statements. As a result of the application of HKFRS 15, the Group has changed the accounting policy with respect to revenue recognition as disclosed in note 2.4 to the financial statements.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at this date. The Group has elected to apply the standard to contracts that are not completed as at 1 April 2018.

The cumulative effect of the initial application of HKFRS 15 was recognised as an adjustment to the opening balance of retained profits as at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 11, HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 April 2018 as a result of the adoption of HKFRS 15:

	Notes	**Increase/(decrease)** *HK$'000*
Assets		
Investments in associates	*(ii)*	(1,953)
Liabilities		
Receipts in advance*	*(i)*	(268,265)
Contract liabilities*	*(i)*	268,265
Other payables and accruals		–
Equity		
Retained profits	*(ii)*	(1,953)

* Both balances are included in other payables and accruals, on the face of the consolidated statement of financial position.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(continued)*

(c) *(continued)*

Notes: The nature of the adjustments as at 1 April 2018 is described below:

(i) Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as receipts in advance included in other payables and accruals. Under HKFRS 15, the amount is classified as contract liabilities included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified HK$268,265,000 from receipts in advance to contract liabilities as at 1 April 2018 in relation to the consideration received from customers in advance as at 1 April 2018.

As at 31 March 2019, under HKFRS 15, HK$246,150,000 was reclassified from receipts in advance to contract liabilities, both included in other payables and accruals in relation to the consideration received from customers in advance.

(ii) The effect of adoption of HKFRS 15 in associates was accounted for by the Group under the equity method of accounting.

(d) Amendments to HKAS 40 clarify when an entity should transfer property, including property under construction or development, into or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments have had no impact on the financial position or performance of the Group.

(e) HK(IFRIC)-Int 22 provides guidance on how to determine the date of the transaction when applying HKAS 21 to the situation where an entity receives or pays advance consideration in a foreign currency and recognises a non-monetary asset or liability. The interpretation clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset (such as a prepayment) or non-monetary liability (such as deferred income) arising from the payment or receipt of the advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the entity must determine the transaction date for each payment or receipt of the advance consideration. The interpretation has had no impact on the Group's financial statements as the Group's accounting policy for the determination of the exchange rate applied for initial recognition of non-monetary assets or non-monetary liabilities is consistent with the guidance provided in the interpretation.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Definition of a Business*[2]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 16	*Leases*[1]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 1 and HKAS 8	*Definition of Material*[2]
Amendments to HKAS 19	*Plan Amendments, Curtailment or Settlement*[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[1]
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23[1]

1 Effective for annual periods beginning on or after 1 January 2019
2 Effective for annual periods beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group expects to adopt the amendments prospectively from 1 April 2020.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 16 replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group will adopt HKFRS 16 from 1 April 2019. The Group plans to adopt the transitional provisions in HKFRS 16 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 April 2019 and will not restate the comparatives. In addition, the Group plans to apply the new requirements to contracts that were previously identified as leases applying HKAS 17 and measure the lease liability at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application. The right-of-use asset will be measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. The Group plans to use the exemptions allowed by the standard on lease contracts whose lease terms end within 12 months as of the date of initial application.

Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. The Group expects to adopt the amendments prospectively from 1 April 2020. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

Amendments to HKAS 28 clarify that the scope exclusion of HKFRS 9 only includes interests in an associate or joint venture to which the equity method is applied and does not include long-term interests that in substance form part of the net investment in the associate or joint venture, to which the equity method has not been applied. Therefore, an entity applies HKFRS 9, rather than HKAS 28, including the impairment requirements under HKFRS 9, in accounting for such long-term interests. HKAS 28 is then applied to the net investment, which includes the long-term interests, only in the context of recognising losses of an associate or joint venture and impairment of the net investment in the associate or joint venture. The Group expects to adopt the amendments on 1 April 2019 and will assess its business model for such long-term interests based on the facts and circumstances that exist on 1 April 2019 using the transitional requirements in the amendments. The Group also intends to apply the relief from restating comparative information for prior periods upon adoption of the amendments.

HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. The interpretation is to be applied retrospectively, either fully retrospectively without the use of hindsight or retrospectively with the cumulative effect of application as an adjustment to the opening equity at the date of initial application, without the restatement of comparative information. The Group expects to adopt the interpretation from 1 April 2019. The interpretation is not expected to have any significant impact on the Group's financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the asset transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments in associates *(continued)*

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 March. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Group measures its leasehold land and buildings classified as property, plant and equipment, investment properties and equity investments designated at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fair value measurement *(continued)*

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, leasehold lands and buildings classified as property, plant and equipment, financial assets, investment properties and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a party, provides key management personnel services to the Group or to the parent of the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Changes in the values of property, plant and equipment are dealt with as movements in the property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the statement of profit or loss. Any subsequent revaluation surplus is credited to the statement of profit or loss to the extent of the deficit previously charged. An annual transfer from the property revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost. On disposal of a revalued asset, the relevant portion of the property revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis or reducing balance basis to write off the cost or valuation amount of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land and buildings	Over the remaining lease terms
Leasehold improvements	Over the remaining lease terms
Furniture and fixtures	15% on the reducing balance basis
Office equipment	15% on the reducing balance basis
Tools and equipment	15% on the reducing balance basis
Motor vehicles	15% on the reducing balance basis

Where parts of an item of property, plant and equipment have different useful lives, the cost or valuation amount of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation methods are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in the statement of profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the assets or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair value less costs to sell.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the statement of profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over the lease terms. When the lease payments cannot be allocated reliably between the land and buildings elements, the entire lease payments are included in the cost of the leasehold land and buildings as a finance lease in property, plant and equipment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Accounts receivable that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition (applicable from 1 April 2018)" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKFRS 9 applicable from 1 April 2018) *(continued)*

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments as defined by HKAS 39.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with positive net changes in fair value presented as other income and gains and negative net changes in fair value presented as finance costs in the statement of profit or loss. These net fair value changes do not include any dividends or interest earned on these financial assets, which are recognised in accordance with the policies set out for "Revenue recognition (applicable before 1 April 2018)" below.

Financial assets designated upon initial recognition as at fair value through profit or loss are designated at the date of initial recognition and only if the criteria in HKAS 39 are satisfied.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in the statement of profit or loss. The loss arising from impairment is recognised in the statement of profit or loss in finance costs for loans and in other operating expenses for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets (policies under HKAS 39 applicable before 1 April 2018) *(continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in market conditions.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the statement of profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment reserve to the statement of profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in the statement of profit or loss as other income in accordance with the policies set out for "Revenue recognition (applicable before 1 April 2018)" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised is equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the statement of profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets (policies under HKFRS 9 applicable from 1 April 2018 and policies under HKAS 39 applicable before 1 April 2018)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018)

The Group recognises an allowance for ECLs for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12 month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018) *(continued)*

General approach *(continued)*

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for accounts receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For accounts receivable that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018)

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets (policies under HKAS 39 applicable before 1 April 2018) *(continued)*

Financial assets carried at amortised cost *(continued)*

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in the statement of profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to other expenses in the statement of profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the statement of profit or loss, is removed from other comprehensive income and recognised in the statement of profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the statement of profit or loss – is removed from other comprehensive income and recognised in the statement of profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include accounts payable, other payables, certain accruals, amounts due to associates, and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts (policies under HKFRS 9 applicable from 1 April 2018)

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets (policies under HKFRS 9 applicable from 1 April 2018)"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018) *(continued)*

Financial guarantee contracts (policies under HKAS 39 applicable before 1 April 2018)

A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the end of the reporting period; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation.

Derecognition of financial liabilities (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments (policies under HKFRS 9 applicable from 1 April 2018 and HKAS 39 applicable before 1 April 2018)

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

Properties held for sale under development and properties held for sale

Properties under development which are intended for sale are included in properties held for sale under development and properties held for sale and are stated at the lower of cost and net realisable value, which is estimated by the directors based on the prevailing market conditions. Costs include all costs directly incurred in the properties under development, including development expenditure, borrowing costs and other direct costs.

Completed properties for sale are stated at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to the prevailing market prices on an individual property basis.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, associates and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Revenue recognition (applicable from 1 April 2018)

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the contract contains a financing component which provides the customer a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (applicable from 1 April 2018) *(continued)*

Revenue from contracts with customers (continued)

(a) *Sale of properties*

Revenue from the sale of properties is recognised at the point in time when the purchasers obtained the physical possession of the completed property, and the Group has a present right to payment and the collection of the consideration is probable.

(b) *Sale of products*

Revenue from the sale of products is recognised at the point in time when control of the assets is transferred to customers, generally on delivery of products.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Revenue recognition (applicable from 1 April 2018)

Other income

Rental income is recognised on a time proportion basis over the lease terms.

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instruments or a shorter period, when appropriate, to the net carrying amount of the financial assets.

Dividend income is recognised when the shareholders' right to receive payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition (applicable before 1 April 2018)

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from the rendering of services, when the services are rendered;

(c) from the sale of property interests, when all the conditions of sale have been met and the risks and rewards of ownership have been transferred to the buyer;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset; and

(f) dividend income, when the shareholders' right to receive payment has been established.

Contract liabilities (applicable from 1 April 2018)

A contract liability is the obligation to transfer goods or services to a customer for which the Group has received a consideration (or an amount of consideration that is due) from the customer. If a customer pays the consideration before the Group transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the Group performs under the contract.

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a trinomial model, further details of which are given in note 30 to the financial statements.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Share-based payments *(continued)*

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Other employee benefits

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Group also operates a defined contribution retirement benefit scheme (the "**ORSO Scheme**") under the Occupational Retirement Schemes Ordinance, for those employees who were eligible to participate. The ORSO Scheme operated in a similar way to the MPF Scheme, except that when an employee left the ORSO Scheme before his/her interest in the Group's employer contributions vesting fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited contributions. With effect from 1 December 2000, the Group has operated both schemes and those employees who are not eligible to participate in the ORSO Scheme are eligible to participate in the MPF Scheme.

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate of 7.4% (2018: 6.8%) has been applied to the expenditure on the individual assets.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e. translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries and associates are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Determining the timing of satisfaction of contracts related to sale of properties

The Group determined that the sales contract with customers requires the Group to complete the development of property before transferring the legal title of the relevant property to customers. The Group also determined that the Group does not have an enforceable right to payment from customers for performance completed to date before the transfer of legal title of the relevant property to customers. Consequently, the Group concluded that the timing of transfer of properties is at the point in time when the purchasers obtained the physical possession or the legal title of the completed property.

Impairment of non-current assets

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the Group has to exercise judgement in the area of asset impairment, particularly in assessing: (1) whether an event has occurred that may affect the asset value or such event affecting the asset value does not exist; (2) whether the carrying value of an asset can be supported by the net present value of future cash flows which are estimated based upon the continued use of the asset or derecognition; and (3) the appropriate key assumptions to be applied in preparing cash flow projections, including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management to determine the level of impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could materially affect the net present value used in the impairment test.

Operating lease commitments – Group as lessor

The Group has entered into leases for certain of its properties. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements *(continued)*

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Estimation of fair value of investment properties

In the absence of current prices in an active market for similar properties, the Group considers information from a variety of sources, including:

(a) current prices in an active market for properties of a different nature, condition or location (or subject to different leases or other contracts), adjusted to reflect those differences;

(b) recent prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the dates of the transactions that occurred at those prices; and

(c) discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 March 2019 was HK$1,031,589,000 (2018: HK$1,031,125,000). Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Estimation of net realisable value of properties held for sale under development and properties held for sale

The Group considers information from a variety of sources, including recent prices of similar properties in the same location and condition, with adjustments to reflect any changes in economic conditions since the dates of transactions that occurred at those prices. Particulars of the properties held for sale under development and properties held for sale of the Group are set out in note 18 to the financial statements.

Land appreciation tax

Under the Provisional Regulations on land appreciation tax ("**LAT**") implemented upon the issuance of the Provisional Regulations of the PRC on 27 January 1995, all gains arising from the transfer of real estate properties in Mainland China with effect from 1 January 1994 are subject to LAT at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from sales of properties less deductible expenditures, including the amortisation of land use rights, borrowing costs and all property development expenditures.

The subsidiaries of the Group engaged in the property development business in Mainland China are subject to LAT, which have been included in income tax. However, the implementation of these taxes varies amongst various Mainland China cities and the Group has not finalised its LAT returns with various tax authorities. Accordingly, significant judgement is required in determining the amount of land appreciation and its related taxes. The ultimate tax determination is uncertain during the ordinary course of business. The Group recognises these liabilities based on management's best estimates. When the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and provisions for LAT in the period in which such determination is made.

Estimates regarding the realisability of deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Fair value of unlisted equity investments

The unlisted equity investments have been valued based on a market-based valuation technique as detailed in note 38 to the financial statements. The valuation requires the Group to determine the comparable public companies (peers) and select the price multiple. In addition, the Group makes estimates about the discount for illiquidity and size differences. The Group classifies the fair value of these investments as Level 3. Further details are included in note 16 to the financial statements.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) the property development and investment business segment is engaged in property development of residential and commercial properties and the holding of investment properties; and

(b) the "others" segment comprises, principally, the trading of medical equipment and home security and automation products.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of profit before tax. The profit/loss before tax is measured consistently with the Group's profit before tax that interest and dividend income, certain fair value changes on equity investments at fair value through profit or loss, unallocated expenses, finance costs, share of profits and losses of associates as well as head office and corporate expenses are excluded from such measurement.

Segment assets exclude investments in associates, non-current asset classified as held for sale and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2019

	Property development and investment business	Others	Total
	HK$'000	*HK$'000*	*HK$'000*
Segment revenue (note 5)			
Sales to external customers	**217,365**	**42,052**	**259,417**
Other income and gains	**9,334**	**388**	**9,722**
	226,699	**42,440**	**269,139**
Segment results			
Operating profit	**104,084**	**8,289**	**112,373**
Reconciliation:			
Bank interest income			**1,084**
Dividend income from equity investments at fair value through profit or loss			**722**
Dividend income from a financial asset at fair value through profit or loss			**48**
Fair value gain on financial assets at fair value through profit or loss			**118**
Fair value loss on equity investments at fair value through profit or loss			**(35,984)**
Unallocated expenses			**(8,511)**
Finance costs			**(1,566)**
Share of profits and losses of associates			**(4,527)**
Impairment of investment in an associate			**(27,190)**
Profit before tax			**36,567**

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2019 *(continued)*

	Property development and investment business HK$'000	Others HK$'000	Total HK$'000
Segment assets	2,248,101	29,672	2,277,773
Reconciliation:			
Investments in associates			27,109
Non-current asset classified as held for sale			68,589
Corporate and other unallocated assets			218,493
Total assets			2,591,964
Segment liabilities	657,771	13,832	671,603
Reconciliation:			
Corporate and other unallocated liabilities			273,020
Total liabilities			944,623
Other segment information:			
Fair value gain on investment properties	(66,456)	–	(66,456)
Loss on disposal of items of property, plant and equipment	16	80	96
Impairment of accounts receivable	–	728	728
Impairment of other receivables	1,902	–	1,902
Provision for inventories	–	836	836
Reversal of provision for net realisable value of properties held for sale	(12,870)	–	(12,870)
Depreciation	8,330	105	8,435
Capital expenditure*	9	35	44

* Capital expenditure represents additions of property, plant and equipment.

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2018

	Property development and investment business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment revenue:			
Sales to external customers	164,422	26,361	190,783
Other income and gains	14,702	423	15,125
	179,124	26,784	205,908
Segment results			
Operating profit/(loss)	71,240	(9,171)	62,069
Reconciliation:			
Interest income			3,323
Dividend income			850
Fair value gain on a financial asset at fair value through profit or loss			181
Unallocated expenses			(7,926)
Finance costs			(3,935)
Share of profits and losses of associates			8,671
Profit before tax			63,233

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 March 2018 *(continued)*

	Property development and investment business *HK$'000*	Others *HK$'000*	Total *HK$'000*
Segment assets	2,415,966	40,990	2,456,956
Reconciliation:			
Investments in associates			118,352
Corporate and other unallocated assets			228,897
Total assets			2,804,205
Segment liabilities	901,499	4,506	906,005
Reconciliation:			
Corporate and other unallocated liabilities			248,396
Total liabilities			1,154,401
Other segment information:			
Fair value gain on investment properties	(53,935)	–	(53,935)
Loss on disposal of items of property, plant and equipment	–	21	21
Impairment/(reversal of impairment) of other receivables	(735)	2,127	1,392
Reversal of provision for inventories	–	(138)	(138)
Reversal of provision for net realisable value of properties held for sale	(1,180)	–	(1,180)
Depreciation	7,983	2,515	10,498
Capital expenditure*	739	60	799

* Capital expenditure represents additions of property, plant and equipment.

4. OPERATING SEGMENT INFORMATION *(continued)*

Geographical information

(a) Revenue from external customers

	Hong Kong		Mainland China		Consolidated	
	2019	2018	**2019**	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**20,949**	11,378	**238,468**	179,405	**259,417**	190,783

The revenue information above is based on the locations of the operations.

(b) Non-current assets

	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**149,737**	144,431
Mainland China	**1,110,414**	1,113,430
	1,260,151	1,257,861

The non-current assets information above is based on the locations of the assets and excludes investments in associates, equity investment designated at fair value through other comprehensive income, equity investments at fair value through profit of loss and available-for-sale investments.

5. REVENUE, AND OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2019	2018
	HK$'000	*HK$'000*
Revenue from contracts with customers:		
Income from property development and investment business	**195,605**	137,972
Income from trading of medical equipment and home security and automation products	**42,052**	26,361
Revenue from other sources:		
Gross rental income	**21,760**	26,450
	259,417	190,783

(i) Disaggregated revenue information

For the year ended 31 March 2019

	Property development and investment business	**Others**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Geographical markets:			
Hong Kong	**–**	**20,949**	**20,949**
Mainland China	**195,605**	**21,103**	**216,708**
Total revenue from contracts with customers recognised at a point in time	**195,605**	**42,052**	**237,657**

5. REVENUE, AND OTHER INCOME AND GAINS *(continued)*

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of properties

The performance obligation is satisfied when the physical possession or the legal title of the completed property is obtained by the purchaser.

Sale of goods

The performance obligation is satisfied upon delivery of the products and payment is generally due within 90 days from delivery.

	2019	2018
	HK$'000	*HK$'000*
Other income and gains		
Bank interest income	**1,084**	3,323
Dividend income from equity investments at fair value through profit or loss	**722**	–
Dividend income from a financial asset at fair value through profit or loss	**48**	111
Dividend income from available-for-sale investments	**–**	739
Fair value gain on financial assets at fair value through profit or loss	**118**	181
Gross rental income	**9,137**	14,443
Others	**585**	682
	11,694	19,479

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2019 HK$'000	2018 HK$'000
Cost of properties sold		**136,497**	121,291
Cost of inventories sold		**31,559**	21,068
Provision/(reversal of provision) for inventories, included in cost of inventories sold above		**836**	(138)
Auditor's remuneration		**2,150**	1,600
Depreciation	13	**8,435**	10,498
Direct operating expenses (including repairs and maintenance) arising on rental-earning investment properties		**3,341**	3,496
Minimum lease payments under operating leases on land and buildings		**910**	3,450
Rental income on investment properties less direct operating expenses of HK$3,341,000 (2018: HK$3,496,000)		**(18,419)**	(22,954)
Rental income on other properties less direct operating expenses of HK$1,176,000 (2018: HK$1,650,000)		**(7,961)**	(12,793)
Employee benefit expense (including directors' and chief executive's remuneration (note 8)):			
Wages, salaries, bonuses and allowances		**23,809**	23,953
Pension schemes contributions*		**472**	436
Equity-settled share option expenses	30	**–**	52
Less: Amount capitalised		**(2,176)**	(3,913)
		22,105	20,528
Fair value gain on investment properties, net:			
Classified as investment properties	14	**(66,456)**	(47,215)
Classified as assets of a disposal group classified as held for sale		**–**	(6,720)
		(66,456)	(53,935)
Gain on disposal of subsidiaries^	32	**–**	(6,214)
Loss on disposal of items of property, plant and equipment^		**96**	21
Impairment of accounts receivable^	20	**728**	–
Impairment of other receivables	21	**1,902**	1,392
Impairment of investment in an associate^	15	**27,190**	–
Fair value loss on equity investments at fair value through profit or loss^		**35,984**	–
Reversal of provision for net realisable value of properties held for sale^		**(12,870)**	(1,180)
Foreign exchange differences, net^		**1,472**	713

* At 31 March 2019, there were no forfeited contributions available to the Group to reduce contributions to the pension schemes in future years (2018: Nil).

^ These amounts are included in "Other operating income/(expenses), net" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	HK$'000	*HK$'000*
Interest on bank loans and other borrowings	**32,750**	46,896
Less: Interest capitalised	**(31,184)**	(42,961)
	1,566	3,935

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of information about Benefits of Directors) Regulation, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Fees	**560**	360
Other emoluments:		
Salaries, bonuses and allowances*	**6,634**	5,199
Equity-settled share option expenses	**–**	20
Pension schemes contributions	**59**	51
	6,693	5,270
	7,253	5,630

* In the prior year, an executive director of the Company was entitled to bonus payments which was determined with reference to the profit after tax of the Group for that year.

In prior years, certain directors were granted share options, in respect of their services to the Group, under the share option scheme of the Company, further details of which are set out in note 30 to the financial statements. The fair value of such options, which was recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for that year was included in the above directors' and chief executive's remuneration disclosures.

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(a) Independent non-executive directors

	Fees *HK$'000*	Equity-settled share option expenses *HK$'000*	Total remuneration *HK$'000*
2019			
Dr. Ho Chung Tai, Raymond	**220**	**–**	**220**
Ir Siu Man Po	**220**	**–**	**220**
Mr. Siu Kam Chau	**120**	**–**	**120**
	560	**–**	**560**
2018			
Dr. Ho Chung Tai, Raymond	120	1	121
Ir Siu Man Po	120	1	121
Mr. Siu Kam Chau	120	1	121
	360	3	363

There were no other emoluments paid or payable to independent non-executive directors during the year (2018: Nil).

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(b) Executive directors and chief executive

	Salaries, bonuses and allowances *HK$'000*	Pension scheme contributions *HK$'000*	Equity-settled share option expenses *HK$'000*	Total remuneration *HK$'000*
2019				
Mr. Lu Quanzhang	**300**	**–**	**–**	**300**
Mr. Tjia Boen Sien ("**Mr. Tjia**")*#	**3,190**	**–**	**–**	**3,190**
Mr. Wang Jing Ning	**2,020**	**18**	**–**	**2,038**
Mr. Tjia Wai Yip, William	**1,124**	**41**	**–**	**1,165**
	6,634	**59**	**–**	**6,693**
2018				
Mr. Lu Quanzhang	300	–	2	302
Mr. Tjia*#	2,775	–	1	2,776
Mr. Wang Jing Ning	1,332	18	7	1,357
Mr. Tjia Wai Yip, William	792	33	7	832
	5,199	51	17	5,267

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2018: Nil).

* Mr. Tjia is also the chief executive of the Group as defined in the Listing Rules.

\# This executive director of the Company is entitled to performance related bonus payment of nil (2018: HK$830,000, which was determined with reference to the profit after tax of the Group).

9. FIVE HIGHEST PAID EMPLOYEES AND SENIOR MANAGEMENT

The five highest paid employees during the year included three (2018: three) directors including the chief executive, details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining two (2018: two) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2019	2018
	HK$'000	*HK$'000*
Salaries, bonuses and allowances	**1,880**	1,782
Pension schemes contributions	**46**	44
Equity-settled share option expenses	**–**	10
	1,926	1,836

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2019	2018
Nil to HK$1,000,000	**1**	1
HK$1,000,001 to HK$1,500,000	**1**	1
	2	2

Other than the directors' remuneration and five highest paid employees disclosed above, the amounts paid to senior management as disclosed in the "**Biographical details of directors and senior management**" section are as follows:

	2019	2018
	HK$'000	*HK$'000*
Salaries, bonuses and allowances	**1,083**	843
Pension schemes contributions	**35**	34
Equity-settled share option expenses	**–**	3
	1,118	880

10. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, unless the Group's subsidiaries did not generate any assessable profits arising in Hong Kong during the year or the Group's subsidiaries had available tax losses brought forward from previous years to offset the assessable profits generated during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

LAT in Mainland China is levied at progressive rates ranging from 30% to 60% on the appreciation of land value, being the proceeds from the sale of properties less deductible expenditure, including the amortisation of land use rights, borrowing costs and all property development expenditures.

	2019	2018
	HK$'000	*HK$'000*
Current – Elsewhere		
Charge for the year	**9,554**	13,749
Overprovision in prior years	**–**	(220)
Withholding tax for gain on disposal of subsidiaries	**–**	4,835
Deferred (note 28)	**17,651**	14,248
LAT in Mainland China	**(14,040)**	(16,414)
Total tax charge for the year	**13,165**	16,198

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax charge at the effective tax rate is as follows:

	2019	2018
	HK$'000	*HK$'000*
Profit before tax	**36,567**	63,233
Tax at the applicable statutory tax rates	**16,106**	17,150
Adjustment in respect of current tax of previous period	**–**	(220)
Profits and losses attributable to associates	**747**	(1,431)
Income not subject to tax	**(6,994)**	(4,473)
Expenses not deductible for tax	**10,901**	6,228
Effect of withholding tax at 10% or 5% on the distributable profits of the Group's PRC subsidiaries	**2,674**	764
Effect of withholding tax for gain on disposal of subsidiaries	**–**	4,835
Tax losses utilised from previous periods	**(154)**	(577)
Tax losses and temporary differences not recognised	**3,649**	10,491
LAT	**(14,040)**	(16,414)
Others	**276**	(155)
Tax charge at the Group's effective rate of 36.0% (2018: 25.6%)	**13,165**	16,198

The share of tax charge attributable to associates amounting to HK$1,383,000 (2018: HK$54,000) is included in "Share of profits and losses of associates" on the face of the consolidated statement of profit or loss.

11. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Proposed final – HK0.5 cent (2018: HK0.5 cent) per ordinary share	**4,890**	4,890

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

Subsequent to the end of the reporting period, the Company's shareholders have approved the distribution of a special dividend of HK0.5 cent per ordinary share at a special general meeting on 11 June 2019, which has not been recognised as a liability as at 31 March 2019.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 977,880,400 (2018: 977,880,400) in issue during the year.

No adjustment was made to the basic earnings per share amounts presented for the years ended 31 March 2019 and 31 March 2018 as the impact of share options had an anti-dilutive effect on the basic earnings per share amount on 31 March 2019 and 31 March 2018.

	2019	2018
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation	**27,486**	47,776

13. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Tools and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 March 2019							
At 31 March 2018 and at 1 April 2018:							
Cost or valuation	224,450	7,540	1,164	2,732	1,305	2,023	239,214
Accumulated depreciation	–	(6,760)	(936)	(2,370)	(1,134)	(1,278)	(12,478)
Net carrying amount	224,450	780	228	362	171	745	226,736
At 1 April 2018, net of accumulated depreciation	224,450	780	228	362	171	745	226,736
Additions	–	–	–	44	–	–	44
Disposals	–	–	(7)	(13)	(137)	–	(157)
Surplus on revaluation	14,422	–	–	–	–	–	14,422
Depreciation provided during the year	(8,015)	(153)	(84)	(80)	(11)	(92)	(8,435)
Exchange realignment	(3,952)	(50)	(14)	(15)	(9)	(8)	(4,048)
At 31 March 2019	226,905	577	123	298	14	645	228,562
At 31 March 2019:							
Cost or valuation	226,905	6,357	957	1,984	40	1,939	238,182
Accumulated depreciation	–	(5,780)	(834)	(1,686)	(26)	(1,294)	(9,620)
Net carrying amount	226,905	577	123	298	14	645	228,562

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Leasehold land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Tools and equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
31 March 2018							
At 1 April 2017:							
Cost or valuation	213,081	6,817	1,065	2,536	1,193	1,185	225,877
Accumulated depreciation	–	(3,677)	(688)	(2,167)	(1,020)	(1,067)	(8,619)
Net carrying amount	213,081	3,140	377	369	173	118	217,258
At 1 April 2017, net of accumulated depreciation	213,081	3,140	377	369	173	118	217,258
Additions	–	–	–	87	–	712	799
Disposals	–	–	(1)	(20)	–	–	(21)
Surplus on revaluation	13,152	–	–	–	–	–	13,152
Depreciation provided during the year	(7,566)	(2,542)	(176)	(99)	(17)	(98)	(10,498)
Exchange realignment	5,783	182	28	25	15	13	6,046
At 31 March 2018	224,450	780	228	362	171	745	226,736
At 31 March 2018:							
Cost or valuation	224,450	7,540	1,164	2,732	1,305	2,023	239,214
Accumulated depreciation	–	(6,760)	(936)	(2,370)	(1,134)	(1,278)	(12,478)
Net carrying amount	224,450	780	228	362	171	745	226,736

The Group's leasehold land and buildings were revalued individually at the end of the reporting period by Peak Vision Appraisals Limited, an independent professionally qualified valuer, at an aggregate open market value of HK$226,905,000 (2018: HK$224,450,000) based on their existing use.

A revaluation surplus of HK$14,422,000 (2018: HK$13,152,000) resulting from the revaluation has been credited to other comprehensive income.

Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amount would have been approximately HK$61,020,000 (2018: HK$66,465,000).

As at 31 March 2019, certain leasehold land and buildings of the Group with an aggregate carrying amount of HK$208,419,000 (2018: HK$205,450,000) were pledged to secure certain banking facilities granted to the Group (note 27).

The Group appointed an external valuer to be responsible for the external valuation of the Group's properties held for own use and had discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's properties held for own use:

	Fair value measurement as at 31 March 2019			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurement for:				
Properties held for own use	**–**	**–**	**226,905**	**226,905**

	Fair value measurement as at 31 March 2018			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement for:				
Properties held for own use	–	–	224,450	224,450

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	2019	2018
	HK$'000	*HK$'000*
Carrying amount at beginning of year	**224,450**	213,081
Surplus on revaluation recognised in other comprehensive income	**14,422**	13,152
Depreciation	**(8,015)**	(7,566)
Exchange realignment	**(3,952)**	5,783
Carrying amount at end of year	**226,905**	224,450

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

Fair value hierarchy *(continued)*

Below is a summary of the valuation technique used and the key inputs to the valuation of properties held for own use:

	Valuation technique	Significant unobservable inputs	Range	
			2019	2018
Properties held for own use	Direct comparison approach	Market unit sale price (per square foot)	**HK$1,625 to HK$7,050**	HK$1,691 to HK$6,790

The direct comparison approach

Under the direct comparison approach, fair value is estimated by the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

The valuation takes into account the characteristics of the properties held for own use, which included the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price per square foot.

The key input was the market price per square foot, which a significant increase/(decrease) in the market price would result in a significant increase/(decrease) in the fair value of the properties held for own use.

14. INVESTMENT PROPERTIES

	2019	2018
	HK$'000	*HK$'000*
Carrying amount at beginning of year	**1,031,125**	887,841
Net gain from fair value adjustment (note 6)	**66,456**	47,215
Exchange realignment	**(65,992)**	96,069
Carrying amount at end of year	**1,031,589**	1,031,125

The Group's investment properties were revalued on 31 March 2019 based on a valuation performed by Peak Vision Appraisals Limited, an independent professionally qualified valuer, at HK$1,031,589,000 (2018: HK$1,031,125,000).

As at 31 March 2019, certain investment properties of the Group with an aggregate carrying amount of HK$579,150,000 (2018: HK$597,500,000) were pledged to secure certain banking facilities granted to the Group (note 27).

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 34(a) to the financial statements.

The directors of the Company have determined that the investment properties are hotel properties, commercial properties and car park spaces, based on the nature, characteristics and risk of the properties. Each year, the Group appoints an external valuer to be responsible for the external valuation of the Group's properties and has discussions with the valuer on the valuation assumptions and valuation results when the valuation is performed for annual financial reporting.

Particulars of the Group's investment properties are included on page 26.

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Group's investment properties:

	Fair value measurement as at 31 March 2019			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Recurring fair value measurement for:				
Hotel properties	**–**	**–**	**203,229**	**203,229**
Commercial properties and car park spaces	**–**	**–**	**828,360**	**828,360**
	–	**–**	**1,031,589**	**1,031,589**

	Fair value measurement as at 31 March 2018			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Recurring fair value measurement for:				
Hotel properties	–	–	193,375	193,375
Commercial properties and car park spaces	–	–	837,750	837,750
	–	–	1,031,125	1,031,125

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2018: Nil).

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*
Reconciliation of fair value measurements categorised within Level 3 of the fair value hierarchy:

	Hotel properties *HK$'000*	Commercial properties and car park spaces *HK$'000*
Carrying amount at 1 April 2017	159,330	728,511
Net gain from a fair value adjustment	17,125	30,090
Exchange realignment	16,920	79,149
Carrying amount at 31 March 2018 and 1 April 2018	**193,375**	**837,750**
Net gain from a fair value adjustment	**22,230**	**44,226**
Exchange realignment	**(12,376)**	**(53,616)**
Carrying amount at 31 March 2019	**203,229**	**828,360**

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Valuation techniques	Significant unobservable inputs	Range 2019	Range 2018
Hotel properties and commercial properties	Investment method	Estimated rental value (per square metre and per month)	**RMB27 to RMB130**	RMB38 to RMB129
		Term yield	**2.00% to 6.25%**	2.00% to 6.25%
		Reversionary yield	**5.50% to 7.25%**	5.75% to 7.25%
Car park spaces	Direct comparison approach	Market unit selling price	**RMB300,000**	RMB280,000

14. INVESTMENT PROPERTIES *(continued)*

Fair value hierarchy *(continued)*

The investment method

Under the investment method, fair value is estimated on the basis of capitalisation of existing rent receivable from the existing tenancies and the potential reversionary market rent of the properties.

The valuation takes into account the characteristics of the investment properties, which included the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the estimated rental value and reversionary yield, while it takes into account the rental value generated from the existing lease term to arrive at the term yield.

The key input was the estimated rental value, term yield and reversionary yield, which a significant increase/(decrease) in these inputs would result in a significant increase/(decrease) in the fair value of the investment properties.

The direct comparison approach

Under the market approach, fair value is estimated by the direct comparison method on the assumption of the sale of the property interest with the benefit of vacant possession and by making reference to comparable sales transactions as available in the market.

The valuation takes into account the characteristics of the investment properties, which included the location, size, shape, view, floor level, year of completion and other factors collectively, to arrive at the market price per square metre.

The key input was the market price per square foot, which a significant increase/(decrease) in the market price would result in a significant increase/(decrease) in the fair value of the investment properties.

15. INVESTMENTS IN ASSOCIATES

	2019 ***HK$'000***	2018 *HK$'000*
Share of net assets	**12,887**	39,441
Loan to an associate	**14,222**	14,222
Goodwill on acquisition	**–**	64,689
	27,109	118,352
Amounts due from associates	**4,515**	576
Amounts due to associates	**(5,177)**	(5,258)

15. INVESTMENTS IN ASSOCIATES *(continued)*

The loan to an associate is unsecured, interest-free and repayable on demand. In the opinion of the directors, this loan is considered as part of the Group's net investments in associates.

The balances with associates are unsecured, interest-free and repayable on demand.

During the year, the Group made capital contributions of HK$15,210,000 to an existing associate which carrying out property investment business in Mainland China. The Group also invested in trading business through the subscription of new shares of a new associate of HK$250,000.

Particulars of the principal associates are as follows:

Name	Issued ordinary/ registered share capital	Place of incorporation/ registration and business	Percentage of ownership attributable to the Group 2019	2018	Principal activities
Achieve Plus Investment Limited	HK$1	Hong Kong	**31.18**	–	Property investment
Asia Construction Holdings Limited	HK$980,000	Hong Kong	**49**	49	Investment holding
Beijing Chang-de Architectural & Decoration Co., Ltd. (a)*	RMB16,000,000	PRC/ Mainland China	**18.71** (iii)	18.71	Decoration engineering
Deson Construction International Holdings Limited ("**DCIHL**")	HK$25,000,000	The Cayman Islands/ Hong Kong	**31.18**	31.18	Investment holding
Deson Development Limited	HK$20,000,100 (Class A) (i) HK$20,000,000 (Class B) (i)	Hong Kong	**31.18**	31.18	Construction contracting and investment holding
Deson Engineering Limited	HK$10,000	Hong Kong	**31.18**	31.18	Decoration engineering
Deson Industries Limited*	US$1	BVI/Hong Kong	**31.18**	31.18	Investment holding
Deson Metals Company Limited*	HK$2,000,000	Hong Kong/ Mainland China	**40**	40	Trading of construction materials
Golden Kindex Limited*	HK$1	Hong Kong	**31.18**	–	Property investment

15. INVESTMENTS IN ASSOCIATES *(continued)*

Name	Issued ordinary/ registered share capital	Place of incorporation/ registration and business	Percentage of ownership attributable to the Group 2019	2018	Principal activities
Hua Sheng International Real Estate Development (Shanghai) Co., Ltd. (b)*	US$12,900,000	PRC/ Mainland China	**30**	30	Property investment
Kenworth Engineering Limited	HK$54,374,140 (Ordinary) HK$20,000,000 (Preference) (ii)	Hong Kong	**31.18**	31.18	Provision of electrical and mechanical engineering services and investment in securities
New Leaves Limited*	US$100	BVI/Hong Kong	**30**	30	Investment holding
Rosy Beauty Investments Limited*	US$1	BVI/Hong Kong	**31.18**	–	Investment holding
Yew Siang Limited ("Yew Siang')*	US$11,700,000	BVI/Hong Kong	**30**	30	Investment holding
上海迪申建築裝潢有限公司 (b)*	US$900,000	PRC/ Mainland China	**31.18**	31.18	Decoration engineering

(a) Registered as a Sino-foreign investment enterprise under PRC law.

(b) Registered as wholly-foreign-owned enterprises under PRC law.

* Not audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

Notes:

(i) The holders of class A shares have voting rights and are entitled to dividend distributions. Upon the winding up of this company, the class A shareholders are entitled to return of assets. The holders of non-voting class B shares are not entitled to dividend distributions. Moreover, upon the winding-up of this company, the class B shareholders are not entitled to any return of assets if the assets of this company are less than HK$100 trillion.

(ii) The holders of the preference shares have a cumulative preferential right to this company's profits at 10% of its share capital, but are not entitled to receive notice of or attend or vote at any meeting of members or any meeting of directors.

(iii) The Group has significant influence in this company through an associate and this company is accounted for as an associate.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

The Group's shareholdings in the associates are held through subsidiaries of the Company.

The Group has discontinued the recognition of its share of losses of certain associates because it exceeded the Group's interests in these associates and the Group has no obligation to take up further losses. The Group's aggregate unrecognised share of losses for the current year and share of accumulated losses of these associates amounted to HK$49,000 (2018: share of profits of HK$61,000) and HK$1,453,000 (2018: HK$1,404,000), respectively.

15. INVESTMENTS IN ASSOCIATES *(continued)*

DCIHL is a limited liability company incorporated in Cayman Islands and is listed on GEM of the Stock Exchange. DCIHL and its subsidiaries (collectively, the "**DCIHL Group**") are considered material associates of the Group, and are engaged in the construction contract works, as a main contractor, decoration, as well as the provision of electrical and mechanical engineering services, investment in securities and property investment, and are accounted for using the equity method.

The following table illustrates the summarised consolidated financial information in respect of the DCIHL Group adjusted for any differences in accounting policies and reconciled to the carrying amount in the consolidated financial statements:

	2019	2018
	HK$'000	*HK$'000*
Current assets	**373,005**	382,605
Non-current assets	**42,113**	20,567
Current liabilities	**(314,008)**	(238,408)
Non-current liabilities	**(1,397)**	(29,423)
Net assets	**99,713**	135,341
Reconciliation to the Group's interest in the DCIHL Group:		
Proportion of the Group's ownership	**31.18%**	31.18%
The Group's share of net assets of the DCIHL Group	**31,090**	42,199
Goodwill on acquisition	**37,499**	64,689
Carrying amount of the investment	**68,589**	106,888
Revenue	**645,835**	792,010
Profit/(loss) for the year	**(19,722)**	28,742
Other comprehensive income	**1,745**	4,068
Total comprehensive income/(loss) for the year	**(17,977)**	32,810
Fair value of the Group's investment	**56,124**	57,683

On 21 February 2019, as further set out in note 40 of this annual report, the Group, as one of the sellers, entered into a memorandum of understanding dated 21 February 2019 with an independent third party to dispose of the Group's entire equity interest in DCIHL. In view of the aforementioned plan to dispose of this equity interest in DCIHL, the Group has classified its interests in the DCIHL Group as an non-current asset held for sale as at 31 March 2019 (note 24). The Group has recognised an impairment of investments in associates of HK$27,190,000 (note 6) with reference to the consideration for the proposed disposal transaction.

15. INVESTMENTS IN ASSOCIATES *(continued)*

The following table illustrates the aggregate financial information of the Group's associates that are not individually material:

	2019	2018
	HK$'000	*HK$'000*
Share of the associates' profit/(loss) for the year	**1,621**	(290)
Share of the associates' other comprehensive income/(loss)	**(1,437)**	–
Share of the associates' total comprehensive income/(loss)	**184**	(290)
Aggregate carrying amount of the Group's investments in the associates that are not individually material	**27,109**	11,464

16. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND AVAILABLE-FOR-SALE INVESTMENTS

	2019	2018
	HK$'000	*HK$'000*
Equity investment designated at fair value through other comprehensive income		
Unlisted equity investment, at fair value		
Fortune Taker Limited	**9,400**	–
Equity investments at fair value through profit or loss		
Unlisted equity investments, at fair value		
Century Rosy Limited	**11,686**	–
Deson Development International Holdings Investment Limited ("**DDIHIL**")	**58,092**	–
Excel Castle International Limited	**30,198**	–
Sky Fox Limited	**5,404**	–
	105,380	–

16. EQUITY INVESTMENT DESIGNATED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME, EQUITY INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS AND AVAILABLE-FOR-SALE INVESTMENTS *(continued)*

The above equity investments were irrevocably designated at fair value through other comprehensive income or through profit or loss as the Group considers these investments to be strategic in nature.

During the year ended 31 March 2019, the Group received dividends in the amounts of HK$722,000 from DDIHIL.

	2019	2018
	HK$'000	*HK$'000*
Available-for-sale investments		
Unlisted equity investments, at cost	–	11,550
Advance to an investee	–	16,521
Impairment	–	(6,430)
	–	10,091
	–	21,641

As at 31 March 2018, the above unlisted equity investments were stated at cost less impairment because the range of reasonable fair value estimates was so significant that the directors are of the opinion that their fair values could not be measured reliably.

The advance to an investee above was unsecured, interest-free and had no fixed terms of repayment. In the opinion of the directors, this advance was considered as a quasi-equity loan to the investee.

17. DUE FROM RELATED COMPANIES

The amounts due from related companies are unsecured, interest-free and repayable on demand.

The particulars of amounts due from related companies are as follows:

	31 March 2019 *HK$'000*	**Maximum amount outstanding during the year** *HK$'000*	31 March 2018 and 1 April 2018 *HK$'000*	Maximum amount outstanding during the year *HK$'000*	1 April 2017 *HK$'000*
Excel Win Limited	**4,013**	**4,013**	3,288	3,288	2,562
Fitness Concept Limited ("**FCL**")	**51**	**59**	6	6	–
海南海旭物聯網科技有限公司	**173**	**185**	185	185	–
Deson City Development Limited	**–**	**–**	–	33	33
Deson New City Development (HK) Limited	**–**	**–**	–	42	42
	4,237		3,479		2,637

18. PROPERTIES HELD FOR SALE UNDER DEVELOPMENT AND PROPERTIES HELD FOR SALE

	2019 *HK$'000*	2018 *HK$'000*
Completed properties held for sale	**771,902**	705,682
Properties held for sale under development	**202,011**	424,412
	973,913	1,130,094
Properties held for sale under development – expected to be recovered: Within one year	**202,011**	424,412

As at 31 March 2019, certain completed properties held for sale under development and properties held for sale of the Group with an aggregate carrying amount of HK$339,332,000 (2018: HK$$230,958,000) were pledged to secure certain banking facilities granted to the Group (note 27).

Particulars of the Group's properties held for sale under development and properties held for sale are included on page 25.

19. INVENTORIES

	2019 HK$'000	2018 HK$'000
Trading goods	**11,505**	8,195

20. ACCOUNTS RECEIVABLE

	2019 HK$'000	2018 HK$'000
Accounts receivable	**22,470**	35,387
Impairment	**(1,815)**	(1,087)
	20,655	34,300

The Group's trading terms with its customers are mainly on credit. The credit period is generally 90 days for the sale of trading goods and up to 180 days for the sale of completed properties held for sale. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's accounts receivable relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

An ageing analysis of the accounts receivable as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2019 HK$'000	2018 HK$'000
Current to 90 days	**14,336**	13,215
91 to 180 days	**1,846**	1,244
181 to 360 days	**12**	2,394
Over 360 days	**4,461**	17,447
Total	**20,655**	34,300

The movements in the loss allowance for impairment of accounts receivable are as follows:

	2019 HK$'000	2018 HK$'000
At beginning of year	**1,087**	1,087
Impairment losses (note 6)	**728**	–
At end of year	**1,815**	1,087

20. ACCOUNTS RECEIVABLE *(continued)*

Impairment under HKFRS 9 for the year ended 31 March 2019

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by geographical region and product type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, accounts receivable are written off if past due for more than one year and are not subject to enforcement activity.

An analysis of accounts receivable by operating segment as at 31 March 2019 is as follows:

	Notes	*HK$'000*
Property development and investment business	*(i)*	9,754
Trading of medical equipment and home security and automation products	*(ii)*	12,716
		22,470

Notes:

(i) These accounts receivable arise from the sale of properties and leasing of properties. The expected credit loss of these accounts receivable is assessed to be insignificant as (a) the consideration in respect of sale of properties is payable by the purchasers in accordance with the terms of the sale and purchase agreements and the Group would not process the transfer of property ownership as stated on the property ownership certificates until the Group has collected the consideration in full, and there was no recent history of default; and (b) the Group normally requires its tenants to make rental deposits in advance in respect of leasing of properties.

An ageing analysis of these accounts receivable as at 31 March 2019, based on the due date, is as follows:

	HK$'000
Current	3,697
Less than 3 months past due	1,695
Over 12 months past due	4,362
Total	9,754

(ii) Set out below is the information about the credit risk exposure on the accounts receivable related to the trading business using a provision matrix:

As at 31 March 2019

		Past due				
	Current	**Less than 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 12 Months**	**Total**
Expected credit loss rate	2.2%	15.1%	23.1%	50.0%	81.3%	14.3%
Gross carrying amount (HK$'000)	10,639	139	13	12	1,913	12,716
Expected credit losses (HK$'000)	230	21	3	6	1,555	1,815

20. ACCOUNTS RECEIVABLE *(continued)*

Impairment under HKAS 39 for the year ended 31 March 2018

Included in the above provision for impairment of accounts receivable, which was measured based on incurred credit losses under HKAS 39, as at 31 March 2018 was a provision for individually impaired accounts receivable of HK$1,087,000 with a carrying amount before provision of HK$1,087,000.

The individually impaired accounts receivable as at 31 March 2018 related to customers that were in financial difficulties or were in default in interest and/or principal payments and only a portion of the receivables is expected to be recovered.

The ageing analysis of the accounts receivable as at 31 March 2018 that were neither individually nor collectively considered to be impaired under HKAS 39 is as follows:

	2018
	HK$'000
Neither past due nor impaired	13,175
Less than 3 months past due	1,186
3 to 6 months past due	454
More than 6 months past due	19,485
	34,300

Receivables that were neither past due nor impaired related to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent customers that had a good track record with the Group. Based on past experience, the directors of the Company were of the opinion that no provision for impairment under HKAS 39 was necessary in respect of these balances as there had not been a significant change in credit quality and the balances were still considered fully recoverable.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Prepayments	**20,505**	18,894
Deposits	**172**	342
	20,677	19,236
Other receivables	**46,291**	31,221
Impairment allowance	**(20,179)**	(19,519)
	26,112	11,702
	46,789	30,938

An impairment analysis is performed at each reporting date by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied for where there are no comparable companies can be identified as at 31 March 2019 was 100% on the gross other receivables of HK$20,179,000 (2018: HK$19,519,000) before impairment allowance.

Deposits and other receivables that were not impaired related to receivables for which there is no recent history of default.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(continued)*

The movements in the provision for impairment of other receivables are as follows:

	2019	2018
	HK$'000	*HK$'000*
At beginning of year	**19,519**	17,330
Impairment losses (note 6)	**1,902**	1,392
Exchange realignment	**(1,242)**	797
At end of year	**20,179**	19,519

Included in the above provision for impairment of other receivables is a provision for individual other receivables that defaulted in repayments and these receivables were not expected to be recovered. The Group does not hold any collateral or other credit enhancements over these balances.

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2019	2018
	HK$'000	*HK$'000*
Listed equity investments, at fair value	**–**	4,510

The above equity investments at 31 March 2018 were classified as equity investments at fair value through profit or loss as they were held for trading. During the year, the Group disposed of the above investments.

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	2019	2018
	HK$'000	*HK$'000*
Cash and bank balances	**18,987**	68,259
Time deposits	**13,500**	126,000
	32,487	194,259
Less: Pledged deposits for banking facilities (note 27)	**(3,000)**	(126,000)
Cash and cash equivalents	**29,487**	68,259

At the end of the reporting period, the aggregate cash and bank balances and deposits of the Group denominated in RMB amounted to approximately HK$8,595,000 (2018: approximately HK$145,371,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates. The bank balances and pledged deposits are deposited with creditworthy banks with no recent history of default.

24. NON-CURRENT ASSET CLASSIFIED AS HELD FOR SALE

On 21 February 2019, as further set out in note 40 of this annual report, the Group, as one of the sellers, entered into a memorandum of understanding dated 21 February 2019 with an independent third party to dispose of the Group's entire equity interest in DCIHL, an associate of the Group. In view of the aforementioned plan to dispose of this equity interest in DCIHL, the Group has classified its interests in the DCIHL Group as an non-current asset held for sale as at 31 March 2019.

An analysis of the non-current asset classified as held for sale as at 31 March 2019 is as follows:

	2019	2018
	HK$'000	*HK$'000*
Investments in associates	**68,589**	–

Particulars and the summarised consolidated financial information of the DCIHL Group are set out in note 15 to the financial statements.

25. ACCOUNTS PAYABLE

An ageing analysis of the accounts payable as at the end of the reporting period, based on the invoice date, is as follows:

	2019	2018
	HK$'000	*HK$'000*
Current to 90 days	**2,997**	3,495
91 to 180 days	**–**	25
181 to 360 days	**42**	164
Over 360 days	**3,616**	8,569
	6,655	12,253

Accounts payable are non-interest-bearing and are normally settled on 30-day terms.

26. OTHER PAYABLES AND ACCRUALS

	2019	2018
	HK$'000	*HK$'000*
Deposits received	**6,709**	9,923
Other payables	**42,256**	290,615
Contract liabilities (note)	**246,150**	–
Accruals	**4,365**	18,240
	299,480	318,778

26. OTHER PAYABLES AND ACCRUALS *(continued)*

Note: Details of contract liabilities as at 31 March 2019 and 1 April 2018 are as follows:

	31 March 2019	1 April 2018
	HK$'000	*HK$'000*
Short-term advances received from customers		
Sale of properties and goods	**246,150**	268,265

Contract liabilities include short-term advances received to transfer property interests and to deliver trading goods to customers. The decrease in contract liabilities in the current year was mainly due to the decrease in short-term advances received from customers in relation to the sales of properties at the end of the year.

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2019			2018		
	Contractual interest rate (%) per annum	**Maturity**	**HK$'000**	Contractual interest rate (%) per annum	Maturity	HK$'000
Current						
Bank loans – secured	**3.23 to 7.6**	**2019**	**134,110**	3.73 to 6.5	2019	259,846
Bank loans – unsecured	**4.5**	**2019**	**689**	–	–	–
Other borrowings	**9.5**	**2019**	**85,410**	9.5 to 9.6	2019	11,875
Bank overdrafts	**Best Lending Rate – 1.5**	**On demand**	**1,357**	–	–	–
Trust receipt loans	**Hong Kong Inter-bank Offered Rate + 2**	**2019**	**5,066**	–	–	–
			226,632			271,721
Non-current						
Bank loans – secured	**6.37 to 7.6**	**2020 to 2026**	**192,465**	6.37	2019 to 2026	235,241
Bank loans – unsecured	**4.5**	**2020**	**177**	–	–	–
Other borrowings	**–**	**–**	**–**	9.5	2019	105,000
			192,642			340,241
			419,274			611,962

	2019	2018
	HK$'000	*HK$'000*
Analysed into:		
Bank borrowings and overdrafts repayable:		
Within one year or on demand	**141,222**	259,846
In the second year	**31,767**	32,057
In the third to fifth years	**87,750**	93,809
Beyond five years	**73,125**	109,375
	333,864	495,087
Other borrowings, repayable:		
Within one year or on demand	**85,410**	11,875
In the second year	**–**	105,000
	85,410	116,875
	419,274	611,962

27. INTEREST-BEARING BANK AND OTHER BORROWINGS *(continued)*

Except for secured bank loans of HK$289,575,000 (2018: HK$479,562,000) and unsecured other borrowings of HK$85,410,000 (2018: HK$116,875,000) which are denominated in RMB, and trust receipt loans of HK$5,066,000 (2018: Nil) which are denominated in USD, all remaining borrowings are denominated in Hong Kong dollar.

The Group's banking facilities are secured by:

(i) the pledge of certain of the Group's leasehold land and buildings situated in Hong Kong and the PRC of HK$208,419,000 (2018: HK$205,450,000) (note 13);

(ii) the pledge of certain of the Group's investment properties situated in the PRC of HK$579,150,000 (2018: HK$597,500,000) (note 14);

(iii) the pledge of certain of the Group's properties held for sale and properties held for sale under development situated in the PRC of HK$339,332,000 (2018: HK$230,958,000) (note 18); and

(iv) the pledge of the Group's deposits of HK$3,000,000 (2018: HK$126,000,000) (note 23).

In addition, certain banking facilities are secured by corporate guarantees executed by the Company as at 31 March 2019.

28. DEFERRED TAX

The movements in deferred tax liabilities during the year are as follows:

	2019		
	Revaluation of properties *HK$'000*	**Withholding taxes** *HK$'000*	**Total** *HK$'000*
At beginning of year	**157,846**	**11,945**	**169,791**
Effect of adoption of HKFRS 9 (note 2.2(b))	**–**	**7,116**	**7,116**
At beginning of year (restated)	**157,846**	**19,061**	**176,907**
Deferred tax charged to the statement of profit or loss during the year (note 10)	**16,614**	**1,037**	**17,651**
Deferred tax charged/(credited) to the statement of comprehensive income during the year	**2,663**	**(622)**	**2,041**
Exchange realignment	**(5,061)**	**–**	**(5,061)**
At end of year	**172,062**	**19,476**	**191,538**

28. DEFERRED TAX *(continued)*

	2018		
	Revaluation of properties *HK$'000*	Withholding taxes *HK$'000*	Total *HK$'000*
At beginning of year	135,806	11,181	146,987
Deferred tax charged to the statement of profit or loss during the year	11,804	764	12,568
Deferred tax charged to the statement of comprehensive income during the year	2,610	–	2,610
Exchange realignment	7,626	–	7,626
At end of year	157,846	11,945	169,791

The Group has estimated tax losses arising in Hong Kong of approximately HK$115,267,000 (2018: HK$120,122,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. The Group also has tax losses arising in Mainland China of approximately HK$24,977,000 (2018: HK$20,944,000) that will expire in one to five years for offsetting against future taxable profit. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries with uncertain future operating profit streams.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5% or 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

29. SHARE CAPITAL

Shares

	2019 **HK$'000**	2018 *HK$'000*
Authorised:		
1,500,000,000 (2018: 1,500,000,000) ordinary shares of HK$0.10 each	**150,000**	150,000
Issued and fully paid:		
977,880,400 (2018: 977,880,400) ordinary shares of HK$0.10 each	**97,788**	97,788

Shares options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 30 to the financial statements.

30. SHARE OPTION SCHEME

On 13 August 2012, the share option scheme of the Company adopted on 14 August 2002 ceased to operate and a new share option scheme (the "**Scheme**") was adopted on 15 August 2012 to comply with the requirements of Chapter 17 of the Listing Rules regarding share option schemes of a company. There was no outstanding share option under the old scheme upon its cessation.

The Company operates the Scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors, including independent non-executive directors, the Company's shareholders and other employees of the Group. The Scheme became effective on 15 August 2012 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Group at the adoption date of the Scheme. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time or with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 30 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. An option may be exercised under the Scheme at any time during a period not exceeding 10 years after the date when the option is granted and will expire on the last date of such period.

The exercise price of the share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of an ordinary share.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

30. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the Scheme during the year:

	2019		2018	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HK$	***'000***	*HK$*	*'000*
At beginning of year	**0.71**	**14,740**	0.71	30,000
Expired during the year	**0.71**	**(14,740)**	0.71	(15,260)
At end of year	**–**	**–**	0.71	14,740

During the year, 14,740,000 (2018: 15,260,000) share options expired and the corresponding share option reserve of HK$2,398,000 (2018: HK$2,310,000) was released to retained profits. No share options were exercised for the year ended 31 March 2019 (2018: Nil).

2018

Number of options	Exercise price*	Exercise period
'000	*HK$*	
14,740	0.71	17 April 2017 to 16 April 2018

* The exercise price of the share options was subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

During the year, the Group recognised a share option expense of nil (2018: HK$52,000) (note 6).

At the end of the reporting period, the Company had no (2018: 14,740,000) share options outstanding under the Scheme. In the prior year, as at 31 March 2018, the exercise in full of the outstanding share options would, under the then capital structure of the Company, result in the issue of 14,740,000 additional ordinary shares of the Company and additional share capital of HK$1,474,000 and share premium of HK$8,991,400 (before share issue expenses).

At the date of approval of these financial statements, the Company had no share options outstanding under the Scheme.

31. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 55 and 56 of the financial statements.

32. DISPOSAL OF SUBSIDIARIES

In the prior year, the Group disposed of 70% effective equity interest in Yew Siang and its subsidiaries (collectively the "**Yew Siang**" Group) and the Yew Siang Group became associates of the Group. The net assets of the Yew Siang Group at the date of disposal were as follows:

	HK$'000
Net assets disposed of:	
Property, plant and equipment	27
Investment properties	146,400
Properties held for sale	563
Prepayments, deposits and other receivables	15,158
Cash and cash equivalents	654
Tax payable	(38,952)
Deferred tax liabilities	(33,018)
	90,832
Exchange fluctuation reserve	3,281
	94,113
Gain on disposal of subsidiaries	6,214
	100,327
Satisfied by:	
Cash and cash equivalents	90,175
Investments in associates	10,152
	100,327

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	HK$'000
Cash consideration	90,175
Cash and bank balances disposed of	(654)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	89,521

33. NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Changes in liabilities arising from financing activities

	Interest-bearing bank and other borrowings *HK$'000*
At 1 April 2017	790,393
Changes from financing cash flows	(244,592)
Foreign exchange movement	66,161
At 31 March 2018 and 1 April 2018	**611,962**
Changes from financing cash flows	**(155,873)**
Foreign exchange movement	**(38,172)**
At 31 March 2019	**417,917**

34. OPERATING LEASE ARRANGEMENTS

(a) The Group as lessor

The Group leased certain of its properties under operating lease arrangements, with leases negotiated for terms ranging from one to twenty years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 March 2019, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	2019 *HK$'000*	2018 *HK$'000*
Within one year	**28,002**	40,481
In the second to fifth years, inclusive	**88,175**	105,458
After five years	**140,915**	176,003
	257,092	321,942

No contingent rental receivable was recognised by the Group during the year (2018: Nil).

(b) The Group as lessee

The Group leases certain of its office properties under operating lease arrangements, with leases negotiated for terms ranging from one to fifteen years.

At 31 March 2019, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	2019 *HK$'000*	2018 *HK$'000*
Within one year	**300**	570
In the second to fifth years, inclusive	**928**	1,339
	1,228	1,909

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34(b) above, the Group had the following capital commitments at the end of the reporting period:

	2019	2018
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Capital contributions payable to equity investments at fair value through profit or loss	**22,400**	–

36. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

		2019	2018
	Notes	***HK$'000***	*HK$'000*
Management fees received from a related company	*(i)*	**55**	55
Management fee to an associate	*(ii)*	**110**	73
Rental income from related companies	*(iii)*	**306**	306
Rental income from an associate	*(iv)*	**1,716**	1,716

Notes:

(i) The management fee was charged by reference to actual costs incurred for the services provided by the Group.

(ii) The management fee was charged by reference to actual costs incurred for the services provided by an associate.

(iii) During the year, rental income was charged to FCL at HK$26,000 (2018: HK$26,000) per month. Mr. Tjia is a director of and has beneficial interests in the Company and FCL, while Mr. Tjia Wai Yip, William is a director of the Company and FCL.

(iv) During the year, rental income was charged to Deson Development Limited at HK$143,000 (2018: HK$143,000) per month as mutually agreed between the parties.

(b) Outstanding balances with related parties:

Details of the Group's balances with associates as at the end of the reporting period are included in note 15 to the financial statements.

Details of the Group's balances with related companies as at the end of the reporting period are included in note 17 to the financial statements.

(c) Compensation of key management personnel of the Group:

The key management personnel of the Group are the directors and chief executive of the Company. Details of their remuneration are disclosed in note 8 to the financial statements.

The related party transactions above also constituted continuing connected transactions as defined in Chapter 14A of the Listing Rules.

37. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

2019

Financial assets

	Financial assets at fair value through profit or loss – designated as such upon initial recognition HK$'000	Financial asset at fair value through other comprehensive income – equity investment HK$'000	Financial assets at amortised cost HK$'000	Total HK$'000
Equity investment designated at fair value through other comprehensive income	–	9,400	–	9,400
Equity investments at fair value through profit or loss	105,380	–	–	105,380
Due from associates	–	–	4,515	4,515
Due from related companies	–	–	4,237	4,237
Accounts receivable	–	–	20,655	20,655
Financial assets included in prepayments, deposits and other receivables (note 21)	–	–	26,284	26,284
Pledged deposits	–	–	3,000	3,000
Cash and cash equivalents	–	–	29,487	29,487
	105,380	9,400	88,178	202,958

37. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2019

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Accounts payable	**6,655**
Financial liabilities included in other payables and accruals	**44,891**
Due to associates	**5,177**
Interest-bearing bank and other borrowings	**419,274**
	475,997

2018

Financial assets

	Financial assets at fair value through profit or loss *HK$'000*
Financial assets at fair value through profit or loss	4,510

	Loans and receivables *HK$'000*	Available-for-sale investments *HK$'000*	Total *HK$'000*
Available-for-sale investments	–	21,641	21,641
Due from associates	576	–	576
Due from related companies	3,479	–	3,479
Accounts receivable	34,300	–	34,300
Financial assets included in prepayments, deposits and other receivables (note 21)	12,044	–	12,044
Pledged deposits	126,000	–	126,000
Cash and cash equivalents	68,259	–	68,259
	244,658	21,641	266,299

37. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

2018

Financial liabilities

	Financial liabilities at amortised cost *HK$'000*
Accounts payable	12,253
Financial liabilities included in other payables and accruals	307,126
Due to associates	5,258
Interest-bearing bank and other borrowings	611,962
	936,599

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		**Fair values**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Financial assets				
Equity investment designated at fair value through other comprehensive income	**9,400**	–	**9,400**	–
Equity investments at fair value through profit or loss	**105,380**	–	**105,380**	–
Financial assets at fair value through profit or loss	**–**	4,510	**–**	4,510
Financial liabilities				
Interest-bearing bank and other borrowings	**237,791**	356,525	**237,791**	356,525

The Group's corporate finance team headed by the financial controller is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the directors of the Company. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the directors of the Company.

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Management has assessed that the fair values of cash and cash equivalents, pledged deposits, accounts receivable, accounts payable, financial assets included in prepayments, deposits and other receivables, financial liabilities included in other payables and accruals, amounts due from/to associates and related companies, and the current portion of interest-bearing bank and other borrowings approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values:

The fair values of listed equity investments are based on quoted market prices. The fair values of unlisted equity investments, which were previously classified as available-for-sale equity investments, have been estimated using a market-based valuation technique based on assumptions that are supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and calculates an appropriate price multiple, such as price-to-book ("**P/B**") multiple and price-to-earnings ("**P/E**") multiple, for each comparable company identified. The multiple is calculated by dividing the enterprise value of the comparable company by an earnings measure. The trading multiple is then adjusted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The adjusted multiple is applied to the corresponding equity and earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation techniques, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss and other comprehensive income, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The fair values of interest-bearing bank and other borrowings repayable beyond one year after the end of the reporting period as assessed on an individual borrowing basis have been calculated by discounting the expected future cash flows using rates currently available for instruments on similar terms, credit risk and remaining maturities.

The Group did not have any financial liabilities measured at fair value as at 31 March 2019 and 31 March 2018.

Below is a summary of significant unobservable inputs to the valuation of financial instruments, together with a quantitative sensitivity analysis, as at 31 March 2019:

	Valuation techniques	Significant unobservable inputs	Range	Sensitivity of fair value to the input
Unlisted equity investments	Valuation multiples	Average market capitalisation/ equity multiple of peers (Or average P/B multiple of peers)	1.5 to 1.75	1% increase/decrease in multiple would result in increase/ decrease in fair value by HK$44,000,000
		Average market capitalisation/Earnings multiple of peers (or average P/E multiple of peers)	9.08	1% increase/decrease in multiple would result in increase/ decrease in fair value by HK$40,000,000
	Asset approach	Discount for lack of marketability	20.89%	1% increase/decease in multiple would result in increase/decrease in fair value by HK$3,030,000

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 31 March 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Equity investment designated at fair value through other comprehensive income	–	–	9,400	9,400
Equity investments at fair value through profit of loss	–	–	105,380	105,380
	–	–	114,780	114,780

As at 31 March 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Financial assets at fair value through profit or loss	4,510	–	–	4,510

38. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

Assets measured at fair value: (continued)

The movements in fair value measurements within Level 3 during the year are as follows:

	2019 HK$'000	2018 HK$'000
Equity investments/available-for-sale investments – unlisted:		
At beginning of year	–	–
Effect of adoption of HKFRS 9 (note 2.2(b))	92,800	–
At beginning of year (restated)	92,800	–
Purchases	66,364	–
Total losses recognised in the statement of profit or loss	(35,984)	–
Total losses recognised in other comprehensive income	(8,400)	–
At end of year	114,780	–

As at 31 March 2019, the Group's financial liabilities not measured at fair value but for which fair values were disclosed included interest-bearing bank and other borrowings of HK$237,791,000 (2018: HK$356,525,000). The fair values of these financial liabilities disclosed were measured based on valuation techniques for which all inputs which have a significant effect on the recorded fair value are unobservable (Level 3).

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2018: Nil).

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other borrowings, equity investments, balances with associates and related companies, cash and cash equivalents and pledged deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as accounts receivable, accounts payable, deposits and other receivables, and other payables and certain accruals, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's debt obligations with floating interest rates in Hong Kong and the PRC.

The interest rates and terms of repayment of interest-bearing bank and other borrowings are disclosed in note 27 to the financial statements. Other financial assets and liabilities of the Group do not have material interest rate risk. Interest-bearing bank loans and overdrafts, other interest-bearing loans, cash and cash equivalents, and short term deposits are stated at cost and are not revalued on a periodic basis. Floating-rate interest income and expense are charged to the consolidated statement of profit or loss as incurred.

The nominal interest rates of the financial instruments approximate to their respective effective interest rates.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Interest rate risk *(continued)*

The following table demonstrates the sensitivity to a reasonably possible change in the Hong Kong dollar interest rate, with all other variables held constant, of the Group's profit before tax and equity (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax *HK$'000*	Increase/ (decrease) in equity* *HK$'000*
2019			
Hong Kong dollar	**100**	**(4,441)**	**–**
Hong Kong dollar	**(100)**	**4,441**	**–**
2018			
Hong Kong dollar	100	(6,697)	–
Hong Kong dollar	(100)	6,697	–

* Excluding retained profits

Foreign currency risk

The monetary assets and transactions of several subsidiaries of the Group are principally denominated in foreign currencies, which expose the Group to foreign currency risk. The Group currently has no particular hedging vehicles to hedge its exposure to foreign exchange risk. It is the Group's policy to monitor foreign exchange exposure and to make use of appropriate hedging measures when required.

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the RMB exchange rate, with all other variables held constant, of the Group's profit before tax and the Group's equity (due to changes in the fair value of monetary assets and liabilities).

	Increase/ (decrease) in exchange rate *%*	Increase/ (decrease) in profit before tax *HK$'000*	Increase/ (decrease) in equity* *HK$'000*
2019			
If the Hong Kong dollar weakens against RMB	**5**	**(17,309)**	**–**
If the Hong Kong dollar strengthens against RMB	**(5)**	**17,309**	**–**
2018			
If the Hong Kong dollar weakens against RMB	5	(36,290)	–
If the Hong Kong dollar strengthens against RMB	(5)	36,290	–

* Excluding retained profits

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant.

Maximum exposure and year-end staging as at 31 March 2019

The table below shows the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 March 2019. The amounts presented are gross carrying amounts for financial assets.

	12-month ECLs	Lifetime ECLs			
	Stage 1 *HK$'000*	Stage 2 *HK$'000*	Stage 3 *HK$'000*	Simplified approach *HK$'000*	Total *HK$'000*
Accounts receivable*	–	–	–	22,470	22,470
Financial assets included in prepayments, deposits, other receivables and other assets					
– Normal**	26,284	–	–	–	26,284
– Doubtful**	–	–	20,179	–	20,179
Due from associates**	4,515	–	–	–	4,515
Due from related companies**	4,237	–	–	–	4,237
Pledged deposits					
– Not yet past due	3,000	–	–	–	3,000
Cash and cash equivalents					
– Not yet past due	29,487	–	–	–	29,487
	67,523	–	20,179	22,470	110,172

* For accounts receivable to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in prepayments, deposits and other receivables, and amounts due from associates and related companies are considered as "normal" when they are not past due and there is no information indicating that the financial assets have a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets are considered as "doubtful".

Maximum exposure as at 31 March 2018

The credit risk of the Group's other financial assets, which comprise amounts due from associates and related companies, available-for-sale investments, deposits and other receivables, financial assets as fair value through profit or loss, cash and cash equivalents and pledged deposits, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer/counterparty, by geographical region and by industry sector. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's accounts receivable are widely dispersed in different sectors and industries.

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Maximum exposure as at 31 March 2018 *(continued)*

Further quantitative data in respect of the Group's exposure to credit risk arising from accounts receivable, deposits and other receivables are disclosed in notes 20 and 21 to the financial statements, respectively.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g., accounts receivable) and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and other interest-bearing borrowings. The Group's policy is to ensure the matching of maturity of its financial liabilities against that of its financial assets, and the maintenance of a current ratio, which is defined as current assets over current liabilities, at above one so as to enhance stable liquidity.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

	2019		
	On demand or less than 12 months	**1 to 5 years**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Accounts payable	**6,655**	**–**	**6,655**
Financial liabilities included in other payables and accruals	**44,891**	**–**	**44,891**
Due to associates	**5,177**	**–**	**5,177**
Interest-bearing bank and other borrowings	**248,375**	**231,632**	**480,007**
	305,098	**231,632**	**536,730**

	2018		
	On demand or less than 12 months	1 to 5 years	Total
	HK$'000	*HK$'000*	*HK$'000*
Accounts payable	12,253	–	12,253
Financial liabilities included in other payables and accruals	307,126	–	307,126
Due to associates	5,258	–	5,258
Interest-bearing bank and other borrowings	302,557	462,309	764,866
	627,194	462,309	1,089,503

39. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 March 2019 and 31 March 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by the total capital plus net debt. Net debt includes accounts payable, other payables and accruals, amounts due to associates, and interest-bearing bank and other borrowings, less pledged deposits, and cash and cash equivalents. Capital represents equity attributable to owners of the Company.

The gearing ratios as at the end of the reporting periods were as follows:

	2019	2018
	HK$'000	*HK$'000*
Accounts payable	**6,655**	12,253
Other payables and accruals	**299,480**	318,778
Due to associates	**5,177**	5,258
Interest-bearing bank and other borrowings	**419,274**	611,962
Less: Pledged deposits	**(3,000)**	(126,000)
Less: Cash and cash equivalents	**(29,487)**	(68,259)
Net debt	**698,099**	753,992
Total capital	**1,651,273**	1,650,413
Total capital and net debt	**2,349,372**	2,404,405
Gearing ratio	**30%**	31%

40. EVENTS AFTER THE REPORTING PERIOD

Pursuant to the memorandum of understanding dated 21 February 2019 (the "**MOU**") and a sales and purchase agreement dated 12 April 2019 (the "**S&P Agreement**"), each of Deson Development Holdings Limited, a wholly-owned subsidiary of the Company incorporated in the BVI, Sparta Assets Limited, a company incorporated in the BVI, and Mr. Tjia (collectively the "**Sellers**") has conditionally agreed to sell; and Energy Luck Limited, a company wholly-owned by Mr. Wong Kui Shing incorporated in the BVI, has conditionally agreed to buy the respective equity interest of the Sellers in DCIHL comprising 361,302,082 shares of DCIHL at an aggregate consideration of approximately HK$79,486,000 (the "**Proposed Disposal**"). Further details of the Proposed Disposal are set out in the circular of the Company dated 24 May 2019.

Among the Sellers, the Group would sell its entire equity interest in DCIHL comprising 311,769,867 ordinary shares of DCIHL at the consideration of approximately HK$68,589,000. As of 31 March 2019, the Group has received an earnest sum of approximately HK$1,726,000 from Energy Luck Limited in accordance with the MOU.

Among the conditions precedent to the completion of the Proposed Disposal in accordance with the terms of the S&P Agreement, the Company has obtained its shareholders' approval in a special general meeting on 11 June 2019 (the "**SGM**") on entering into the S&P Agreement and the Proposed Disposal in relation to the equity interest held by the Group, and has fulfilled such condition to the Proposed Disposal. Upon completion of the Proposed Disposal, the DCIHL Group would no longer be associates to the Group and a gain/loss on disposal would be recorded by the Group upon the derecognition of the Group's interests in the DCIHL Group. In addition, the Company has also obtained its shareholders' approval in the SGM for a special dividend to the Company's shareholders of HK0.5 cent per ordinary share of the Company in an aggregate amount of HK$5,000,000 out of the proceeds of the consideration of the Proposed Disposal, which is subject to a board meeting of the Company upon completion of the Proposed Disposal. The completion of the Proposed Disposal is expected to take place in the next financial period.

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2019	2018
	HK$'000	*HK$'000*
NON-CURRENT ASSETS		
Investments in subsidiaries	**591,850**	585,467
CURRENT ASSETS		
Due from a related company	**42**	42
Prepayments	**191**	58
Cash and cash equivalents	**690**	172
Total current assets	**923**	272
CURRENT LIABILITIES		
Accruals	**1,355**	1,345
Due to subsidiaries	**62,771**	62,769
Due to a related company	**2,249**	7,549
Total current liabilities	**66,375**	71,663
NET CURRENT LIABILITIES	**(65,452)**	(71,391)
Net assets	**526,398**	514,076
EQUITY		
Issued capital	**97,788**	97,788
Reserves (note)	**428,610**	416,288
Total equity	**526,398**	514,076

41. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium account HK$'000	Contributed surplus HK$'000	Capital redemption reserve HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 April 2017	243,040	155,531	14,457	4,656	11,007	428,691
Loss for the year and total comprehensive loss for the year	–	–	–	–	(7,565)	(7,565)
Equity-settled share option arrangement	–	–	–	52	–	52
Expiry of share options	–	–	–	(2,310)	2,310	–
Final 2017 dividend paid	–	–	–	–	(4,890)	(4,890)
At 31 March 2018 and at 1 April 2018	**243,040**	**155,531**	**14,457**	**2,398**	**862**	**416,288**
Profit for the year and total comprehensive income for the year	**–**	**–**	**–**	**–**	**17,211**	**17,211**
Expiry of share options	**–**	**–**	**–**	**(2,398)**	**2,398**	**–**
Final 2018 dividend paid	**–**	**–**	**–**	**–**	**(4,889)**	**(4,889)**
At 31 March 2019	**243,040**	**155,531**	**14,457**	**–**	**15,582**	**428,610**

The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group's reorganisation on 21 May 1997 over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), a distribution may be made out of the contributed surplus, provided that the Company will be able to pay its liabilities as they fall due and subsequent to the distribution, the aggregate amount of its total liabilities, issued share capital and share premium is less than the realisable value of its assets.

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy for share-based payments in note 2.4 to the financial statements. The amount will either be transferred to the share premium account when the related options are exercised, or be transferred to retained profits should the related options expire or be forfeited.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 21 June 2019.

Summary of Financial Information

A summary of the published results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years is set out below.

RESULTS

	Year ended 31 March				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE					
Continuing operations	**259,417**	190,783	199,683	91,467	100,123
PROFIT FROM OPERATING ACTIVITIES AFTER FINANCE COSTS	**41,094**	54,562	36,575	206,413	143,656
Share of profits and losses of associates	**(4,527)**	8,671	1,616	483	577
PROFIT BEFORE TAX	**36,567**	63,233	38,191	206,896	144,233
Income tax expense	**(13,165)**	(16,198)	(35,069)	(73,171)	(48,629)
PROFIT FOR THE YEAR FROM CONTINUING OPERATIONS	**23,402**	47,035	3,122	133,725	95,604
DISCONTINUED OPERATIONS					
Profit/(loss) for the year from discontinued operations	**–**	–	174,863	14,061	(3,213)
	23,402	47,035	177,985	147,786	92,391
Attributable to:					
Owners of the Company	**27,486**	47,776	144,934	140,998	94,476
Non-controlling interests	**(4,084)**	(741)	33,051	6,788	(2,085)
	23,402	47,035	177,985	147,786	92,391

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 March				
	2019	2018	2017	2016	2015
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Total assets	**2,591,964**	2,804,205	2,783,058	3,302,666	2,747,928
Total liabilities	**(944,623)**	(1,154,401)	(1,326,345)	(1,921,417)	(1,578,857)
Non-controlling interests	**3,932**	609	(120)	(20,983)	(16,337)
	1,651,273	1,650,413	1,456,593	1,360,266	1,152,734